

103
**INTERNATIONAL ORGANIZED CRIME AND ITS
IMPACT ON THE UNITED STATES**

Y 4. G 74/9: S. HRG. 103-899

International Organized Crime and i...

HEARING

BEFORE THE

PERMANENT

SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON

GOVERNMENTAL AFFAIRS

UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

MAY 25, 1994

Printed for the use of the Committee on Governmental Affairs

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CONTENTS

Opening statements:	Page
Senator Nunn	1
Senator Roth	5
Senator Cohen	6
Senator Cochran	11
Senator Bennett	11
Senator Lieberman	48
Prepared statement:	
Senator Cohen	8

WITNESSES

WEDNESDAY, MAY 25, 1994

Hon. Louis J. Freeh, Director, Federal Bureau of Investigations	12
Hon. Hans-Ludwig Zachert, Prasident des Bundeskniminalamts (German Federal Criminal Police), Federal Republic of Germany	16
Hon. Mikhail Yegorov, First Deputy Minister, and Head of the Organized Crime Control Department, Russian Ministry of Internal Affairs	23

ALPHABETICAL LIST OF WITNESSES

Freeh, Louis J.:	
Testimony	12
Prepared statement	57
Yegorov, Mikhail:	
Testimony	23
Prepared statement	76
Zachert, Hans-Ludwig:	
Testimony	16
Prepared statement	66

APPENDIX

Prepared statements of witnesses in order of appearance	57
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INTERNATIONAL ORGANIZED CRIME AND ITS IMPACT ON THE UNITED STATES

WEDNESDAY, MAY 25, 1994

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 8:32 a.m. in room SD-342, Dirksen Senate Office Building, Hon. Sam Nunn, Chairman of the Subcommittee, presiding.

Present: Senators Nunn, Lieberman, Dorgan, Roth, Cohen, Cochran, McCain, and Bennett.

Staff Present: Eleanore J. Hill, Chief Counsel; John F. Sopko, Deputy Chief Counsel; Mary D. Robertson, Chief Clerk; Alan Edelman, Counsel; Eleni P. Kalisch, Counsel; David B. Buckley, Chief Investigator; Harold B. Lippman, Investigator; Scott E. Newton, Investigator; Cynthia Comstock, Executive Assistant to the Chief Counsel; Mariea Wilt, Staff Assistant; Gene Richardson, AID Detail; Daniel F. Rinzel, Minority Chief Counsel; Stephen H. Levin, Minority Counsel; Carla J. Martin, Minority Assistant Chief Clerk; Ed Willett, Legislative Fellow, OPM; Betty Ann Soiefer (Senator Glenn); Rosemary Warren (Senator Sasser); Paul Feeney (Senator McCain); Jimmy Reynolds (Senator Cochran); Jack Hoggard (Senator Cochran); Shaun Parkin (Senator Bennett); Paul Brubaker (Senator Cohen); Bill Greenwalt (Senator Cohen); Jeremy Bates (Senator Dorgan); Jim Bodner (Senator Cohen); Nina Bang-Jensen (Senator Lieberman); and Diane Merriett (Senator Lieberman).

OPENING STATEMENT OF CHAIRMAN NUNN

Chairman NUNN. The Subcommittee will come to order.

Today, the Permanent Subcommittee on Investigations begins a series of hearings on the threat posed by the growth of organized crime groups in the countries of the former Soviet Union. As we will hear from our distinguished witnesses this morning, crime, and particularly organized crime, has become one of the most dangerous forces to arise from the collapse of the Soviet system. It has cast a shadow over efforts to achieve market reform and democratization in Russia and the other independent republics, and it may ultimately pose a threat to peace not only in that region of the world, but in others as well. As such, organized crime in the former Soviet Union is fast becoming not only a law enforcement nightmare, but a potential national security nightmare as well.

While crime, and even organized criminal activity, is nothing new in Russian history, the demise of communism has created an

opportunity for organized crime groups to achieve unprecedented strength and influence in Russian society. Unfortunately, it is an opportunity of which they appear to be taking full advantage. Recent media reports have detailed the phenomenal growth and power of Russian crime groups in the past few years. If these reports are accurate, they paint a dismal picture of a society in which crime appears to run rampant.

For example, one recent article cites Russia's Ministry of the Interior as estimating that 30 percent of businesses privatized under market reform efforts over the past 2 years are under the control of organized crime. The same article cites Moscow police as saying that almost one-fourth of that city's banks are controlled by organized crime groups. In a forthcoming book on international organized crime entitled "Thieves' World," investigative reporter Claire Sterling writes that, according to Russian authorities, between one-third and one-half of Russia's economy in 1992 was controlled by organized crime. According to Anders Aslund, a Swedish economist who has served as an adviser to the Russian Government, almost 20 percent of Russia's oil and 33 percent of its mined minerals were smuggled out of the country in 1992.

Extortions and takeovers of legitimate businesses also appear to have become rampant in Russia, and extremely violent. A July 1993 shoot-out at an Alfa Romeo car dealership in Moscow is believed to be the work of Russian gangsters demanding protection money from the dealership's owners. That same summer, the wife of a Swiss businessman who had refused to pay protection money died when a bomb exploded as she opened the front door to her family's apartment in Moscow. In fact, the Russian Ministry of the Interior recorded the murders of 94 businessmen in 1993. At the same time, a high-level report prepared for President Boris Yeltsin states that 70 to 80 percent of all private enterprises in major cities now pay protection money to criminal groups.

The banking profession has allegedly become particularly dangerous in Russia as organized crime groups attempt to take over banks by whatever means necessary. Last year, 30 bankers were murdered across Russia. Bank fraud has also become a hallmark of Russian crime groups. Stephen Handelman, author of an upcoming book on Russian organized crime entitled "Comrade Criminal," recently reported how Russian investigators, in 1992, uncovered a plot to swindle the Russian State Bank out of 25 million rubles, then worth about \$1.2 billion. Through bribes, a crime syndicate planned to get bank tellers in Moscow and other cities to accept false credit notes presented at their windows. According to Handelman, investigators said that if the scheme had been successful, Russia's monetary system would have been threatened.

This wave of criminal activity serves as an incredibly destabilizing influence as Russia struggles to achieve economic and political reform. It chills foreign investment, it widens the gap between rich and poor, and ultimately undermines the confidence in a free market and in the Government. If left unchecked, this could lead not only to the collapse of market reform efforts, but to the collapse of democracy as well. As ordinary Russians increasingly come to associate organized crime and the fear of organized crime with market

reform, this may turn back the efforts for reform in Russia, and it may be very difficult for the Government to combat this menace.

This point apparently is not lost on the current Russian Government. President Yeltsin himself was quoted earlier this year as saying, "organized crime is trying to take this country by the throat." A report delivered to Yeltsin early this year states, quote, "the growth of organized crime threatens the continued political and economic development of Russia and created conditions that could bring national socialists to power," end quote.

Many believe that the activities of Russian criminal elements also pose a direct threat to Western economies and societies as well, including that of the United States. Russian gangs reportedly have been responsible for a wave of violent crime in Central Europe and Germany. We are very pleased to have President Zachert here today as a witness, who will be telling us about the German efforts and their challenges in this regard.

The Foreign Military Studies Office at Fort Leavenworth, Kansas, has reported that Russian crime groups have invaded and now dominate criminal activities in the Czech and Slovak Republics. Poland and Hungary are reportedly also dealing with similar developments. Finally, local police and the FBI have identified Russian crime groups operating in New York, Los Angeles, Cleveland, Chicago, Boston, Miami, Dallas, Detroit, and Minneapolis.

Even more worrisome are reports that Russian organized crime groups have been coordinating their activities with other international criminal groups. Law enforcement authorities have reportedly confirmed three planned meetings between Russian and Italian organized crime groups in Prague, Warsaw, and Zurich. Russian newspapers have reported that representatives of the Medellin cartel have made multiple visits to Russia with the aim of facilitating cocaine transit, assessing money laundering opportunities, and looking at Russia as a potential market.

It thus seems increasingly clear that Russian organized crime groups are taking their place among the world's international criminal syndicates. One thing, however, distinguishes the threat of Russian organized crime from that of Asian organized crime, South American drug cartels, or even the Italian Mafia. That is the fact that the fertile soil from which Russian organized crime is arising is that of a nuclear superpower.

Never before in history has an empire broken up while still possessing 30,000 to 40,000 nuclear weapons. Never before has a nation in possession of nuclear weapons bordered so closely on the verge of internal chaos. Today, however, the world is faced with the prospect of a nuclear state fighting for its survival and for its future against the forces of organized crime.

Today in the former Soviet Union, we have a situation where literally thousands of nuclear scientists do not know how they are going to provide adequately for their families, but they certainly do know how to make nuclear weapons. Today in the former Soviet Union, we have a situation where thousands of military personnel who have access to highly sophisticated conventional weapons, and some even nuclear weapons, are faced with drastic reductions in their standard of living. Under these conditions, it is no longer too fantastic to imagine an idea which is a scenario in which chemical

or biological, missile technology, or other nuclear weapons or nuclear material or know-how, or even nuclear weapons themselves, could fall into the hands of criminal elements.

Indeed, a recently published book on nuclear proliferation shows how easily this could happen. In their book "Critical Mass," William Burrows and Robert Windem describe an incident in 1991 in which William Arkin, a nuclear weapons analyst affiliated with Greenpeace, nearly obtained a tactical nuclear weapon from a Soviet senior lieutenant stationed in Germany. The Arkin episode, if accurate, should rightly scare the wits out of anyone concerned with international security. If the organization Greenpeace can come within inches of obtaining a nuclear warhead on nothing more than the promise of asylum to a 28-year-old lieutenant, how much more so should we be concerned about the ability of organized crime groups, which are increasingly controlling a major part of the Russian economy, to buy off a military commander, a nuclear scientist or someone else with access to weapons-grade material or to nuclear weapons?

We should also be concerned about reports such as that published by Seymour Hersh in the current issue of the Atlantic Monthly. In an article entitled "The Wild East," Hersh describes that in meetings prior to this past January's summit, Russian intelligence officials provided American intelligence with information about three attempted diversions of weapon-grade material, and we will go into some of those allegations with our witnesses here today.

While there has been no confirmed evidence to date of an illegal diversion or sale of a nuclear weapon succeeding, it is becoming increasingly clear that there is a real possibility that such material could fall into the hands of Russian criminal organizations.

In this regard, a recent report by the Department of Energy is worth noting. In a February 1993 report entitled "Black Market Trafficking in Nuclear Material," the Department's Office of Threat Assessment stated, "Illegal trafficking in alleged SNM (Special Nuclear Material) is steadily rising. The potential for significant quantities of genuine plutonium and highly enriched uranium becoming available in the 'Black Market' has increased since the breakup of the Soviet Union and subsequent movement of thousands of nuclear weapons to and in Russia."

In November of last year, the Office of Threat Assessment published another report analyzing the specific threat posed by Russian organized crime groups. That report concluded that, "... the infrastructure of transborder smuggling and extortion rings has been put in place. Given a high enough profit motive, the Russian Mafia may conclude in the future that the health and law enforcement risks are worth running. For that reason, any discussion of nuclear proliferation today must cover the risk of criminal proliferation."

It is for that reason that this Subcommittee is holding this hearing today, and it is for that reason that we have asked this panel of distinguished representatives of law enforcement from the United States and from Russia and from Germany to provide us with their firsthand information as to what is actually happening in this area. Hopefully, this will help us sort out what is credible and what

is not, what we really know and what we fear, and to separate what we know from what we fear, and also what is sensationalism and what is reality.

All of these things are on our mind today. We may not resolve all of these issues this morning. This is the beginning, though, of a dialog that I think can be productive in terms of the congressional response to this overall challenge, and I am particularly gratified to find that Director Louis Freeh is already working carefully with his counterparts in Russia and Germany and in other countries on this important challenge. So we are pleased to have our witnesses today. We will hear from them after we hear from Senator Roth, our ranking member.

Senator Roth, thank you for your cooperation, as usual, and your staff's cooperation.

OPENING STATEMENT OF SENATOR ROTH

Senator ROTH. Mr. Chairman, I congratulate you for holding these hearings today. I believe they are of critical importance.

What we are witnessing that is different from the past is the fact that organized crime is becoming international in nature. In the past, we have dealt with a problem that was primarily domestic or internal to a country, but I think the significant factor that should be a matter of real concern is that organized crime today is becoming an international problem. Global problems require global solutions, and law enforcement worldwide must, I believe, adapt its efforts accordingly.

After directing our past investigation of the Colombian cocaine cartels and our recent investigation of Asian organized crime, I concluded that the world is confronted, as I said, with a new and dangerous phenomenon—the emergence of what I call new international criminals. Today's hearing will provide additional examples of the worldwide reach of these newly emerging crime groups.

Now, some of these groups, such as the Chinese triads, have ancient roots, but whether centuries old or recently formed, these new international criminals have learned to thrive through exploitation of modern technological developments, such as encrypted fax machines, instantaneous global communication networks, as well as high-speed transportation. They have benefited from relaxed travel restrictions and the greatly increased volume of international trade.

These developments have allowed for the first time criminal organizations based in one country to extend their operations to distant foreign shores, while maintaining much more direct influence and control than in the past. They deal drugs, extort businesses, launder profits, and even murder, without regard to international boundaries. They are truly criminals without borders. In following modern international business practices, the new international criminals are forming flexible, temporary relationships with other organized crime groups to achieve their goals.

In previous investigations, Mr. Chairman, we heard evidence about international organized crime groups based in Italy, Colombia, and Asia. Today we will hear about organized crime groups in the countries of the former Soviet Union and Eastern Europe. Our previous investigations revealed that law enforcement is not cur-

rently equipped to meet the challenges posed by this new breed of international criminal.

While law enforcement efforts too often stop at international borders, unfortunately organized crime does not, and these criminals view borders primarily as a means of evading law enforcement's jurisdiction. There is no single international law enforcement agency that can assume jurisdiction over these cases.

While law enforcement agencies throughout the world have made progress in establishing formal bilateral cooperative relationships and informal working relationships, we have heard repeated complaints about the difficulties of obtaining intelligence information, of gaining access to documentary evidence in a useful, admissible form, and of obtaining the proper extradition of persons charged with crimes.

We need a new approach if law enforcement is to effectively confront and disarm international organized crime. We need an approach that allows the community of nations to work cooperatively through a formalized framework to investigate and prosecute international criminals and criminal organizations. Without such a framework, these international criminal syndicates will continue to increase their wealth and power, even threatening the stability of some governments in the process.

As Americans and our allies prepare to commemorate the 50th anniversary of D-Day, I believe we need to now focus on forming a new global alliance to establish a new beach head that will stem the tide against the threat to global security posed by the new international criminals. If, for no other reason, the threat to nuclear nonproliferation posed by Russian organized crime's potential access to nuclear material makes their activities a matter of grave concern for the American people.

We are also deeply concerned that the widespread breadth and depth of crime in Russia threatens democratic reform. The American people are, of course, concerned about whether U.S. foreign aid funds are being diverted by criminal elements in Russia, and they are certainly concerned about the potential reach of Russian organized crime to our own shores.

So I congratulate you today for holding these hearings which will help demonstrate the common problems all nations face from these criminal groups and the need to develop effective common solutions.

Thank you, Mr. Chairman.

Chairman NUNN. Thank you very much, Senator Roth. You and I have worked together on these investigations for a long time, and you have led the way in many of the organized crime investigations we have had and we appreciate very much the continue cooperation from minority staff in working in a coordinated fashion.

Senator Cohen, thank you for your leadership in this area and on this Subcommittee, as well as the Armed Services Committee and the Intelligence Committee. I am glad you could be here this morning.

OPENING STATEMENT OF SENATOR COHEN

Senator COHEN. Thank you very much, Mr. Chairman. I have a prepared statement which is simply redundant of the fine com-

ments that both you and Senator Roth have made. Let me just offer a couple of observations.

We are now searching to find out what the facts are, as opposed to what the Chairman said may be fictional. Fiction can be frightening, as we know. A number of authors have profited handsomely in writing fiction. Regrettably, I am not one of them, but nonetheless I can give you an example.

Having met Boris Yeltsin in Senator Dole's office a couple of years ago, I presented him with a copy of a novel in which it was predicted there would be a coup and that he would be assassinated in a rather exotic way. As I explained it to him, he reached over and he said, "science fiction." Then almost 3 weeks to the day after that, he went back to Moscow and they had the attempted coup. So sometimes fiction can be a forerunner to fact.

I mention this in connection with another fictional account of something quite frightening. David Aaron, a former member of the NSC under both Republican and Democratic administrations, wrote a book called "Scarlet State" in which there was a threat of a nuclear blackmail. Some nuclear material was missing. Given the volume of nuclear weapons in our stock and what the former Soviet Union has in its arsenal, the very thought of even one tactical nuclear weapon falling into the hands of a terrorist group who then seeks to extort something out of Western Europe, or indeed, the United States, poses something of great magnitude.

So we are not only dealing with fiction. We are dealing potentially with fact here if we should determine, as these hearings unfold, that nuclear materials are not being sufficiently guarded. The Chairman has been most concerned about this over the last several years, to say the least. Command and control in the Soviet Union has been a principal focus on the part of the Armed Services Committee and that of the Chairman.

We have very little information about Russian command and control even when it was under the strict control of the Soviet military. Today, we are not sure of exactly who is in control or who is guarding the guardians. One of the more disturbing elements we are learning about is that organized criminal elements are bribing even members of the military. This poses some serious concern for us all to the extent that those in the military find their status has been reduced by virtue of the breakup of the Soviet empire, and as such, are experiencing severe economic pressures. When organized criminal elements can, in fact, offer military members substantial incentives for providing either nuclear materials or, indeed, nuclear weapons, it poses a threat to world stability.

The Director of Central Intelligence recently testified that 30 to 50 percent of the profits of organized crime are now going to buy off Government officials in Russia. That is a staggering figure if, in fact, it is accurate.

He also indicated, I think, that 80 percent of the privatized Russian businesses are victims of extortion, pointing out once again that even the Russian military is not immune from these kinds of pressures. So we have to ask the following questions: What is happening within the former Soviet Union? Who is guarding the nuclear materials? Who is guarding the guardians?

So I hope, Mr. Chairman, that this hearing will provide some testimony in terms of what kinds of cooperative efforts are underway with our Western allies and what can the United States do to make a contribution to deal with this problem of the rule of law being subverted by the rule of the gun. Moscow today is being compared to gangland Chicago during prohibition, and that in itself should serve as a great warning to all of us.

So I ask unanimous consent that my statement appear in the record, but I commend you for trying to separate out the facts from the fictional accounts, and hopefully the facts won't measure up to writers of fiction.

PREPARED STATEMENT OF SENATOR COHEN

Mr. Chairman, I am pleased to participate in today's hearing on organized crime in the former Soviet Union and Eastern Europe.

A battle is being waged on the streets of St. Petersburg, Moscow, Warsaw, and Kiev between the rule of law and the rule of the gun. And the stakes are incredibly high: no less than the stability and viability of Russia and the newly independent states of Eastern Europe and Central Asia. Further, organized criminal elements have the potential to act as conduits for the spread of weapons of mass destruction to unstable areas of the world like North Korea, Iran, and Iraq. Finally, the global network of terrorism, narcotics and weapons trafficking, extortion and murder is a threat whose tentacles reach into the very heart of our society. If democracy and the rule of law fail to take hold in the former Soviet Union, the consequences will be felt throughout the rest of the world. Curbing the ravages of organized crime is essential to ensuring the success of political reform in the former Soviet Union.

Today, we will hear how organized crime in Russia and Eastern Europe is growing rapidly and venturing into partnerships with U.S., Italian, Chinese, and Columbian crime cartels. Moving beyond extortion, racketeering, smuggling, and prostitution, Russian Mafia involvement in drugs, arms, and nuclear materials trafficking have a direct bearing on U.S. national interests.

Organized crime in Russia is raising the level of violence in Russian society. Criminal elements have discovered how to profit from the current transition to market capitalism though smuggling and other illegal activities. Because of the increase in shootouts among rival gangs over dividing the spoils, Moscow has been compared to Chicago during prohibition. One member of parliament has been murdered, while another MP killed an assailant who was allegedly extorting money from him. Gangland shootings are on the rise with some of these vendettas being settled in the streets of the United States.

President Yeltsin has stated that organized crime threatens the foundation of Russian society. Political uncertainty has provided incentives for many of those in government to try to plunder the system for everything they can. The director of the CIA recently testified that criminal groups in Russian spend 30-50 percent of their profits trying to buy off well-connected government officials, while up to 80 percent of privatized Russian businesses are victims of extortion. Even the Russian military is not immune from the lure of bribes and payoffs. Declining conditions of military life have made members of the Russian military increasingly susceptible to organized crime's siren song.

The threat of organized crime's influence on the Russian military strikes fear in those who desire stable international relations. What will happen to the weapons of war they are guarding? One of the biggest concerns emanating from this hearing is the threat posed from organized criminal involvement with the trade in nuclear materials. Reports of the diversion of highly enriched uranium, plutonium, and tactical nuclear weapons, sound more the stuff of fiction, and yet, may be threats which we ignore at our peril.

I am hopeful that today's testimony will identify some means to combat organized crime in the former Soviet Union and Eastern Europe and how the United States can effectively contribute to the improving the situation. There may be room for U.S., European, and Russian cooperation in law enforcement, economic aid, and military and intelligence contacts. We in the U.S. and western Europe will be faced with the consequences of a failure to address the criminal situation in Russia and Eastern Europe as their operations spread further to our shores. Indeed, we have long been faced with many of the same afflictions—from drugs to organized violence—that are now raising themselves in post-Communist Russia. It is through the

rule of law and effective law enforcement that we have chosen to wage the war of attrition against organized crime in the United States. Cooperation between the United States, Europe, and Russia would be helpful in taming this threat to our security and I am hopeful that this is a first step toward that cooperation. I look forward to hearing today's testimony.

Chairman NUNN. Thank you very much, Senator Cohen.

If I could just say before I introduce each of our guests that we in this country are not immune to some of the same kinds of problems, General Yegorov. In the 1970's, after the Vietnam war when we had a serious deterioration of morale in our own military, we had some problems that came up on the horizon in Germany, as a matter of fact, relating to the security of tactical nuclear weapons which were at that stage very prevalent in Germany.

I went to Germany myself in a rather quiet way and became alarmed about some of the security problems of our own nuclear weapons. I came back and never even went home, but went straight to the Pentagon to meet with then Secretary of Defense Jim Schlesinger to report to him that we had some serious problems that needed addressing with control of our own nuclear weapons.

So I don't want anyone in Russia to believe that we believe this is something that is only a Russian problem. I think we have continuing challenges in this country. All of us have a mutual stake in making sure that we do everything possible, after having gone through the cold war with no nuclear catastrophe, to understand that these dangers are still here in many respects, and particularly from an accidental nuclear explosion.

Senator COHEN. If the Chairman would yield, I would point out we had a very serious drug problem within our military as well which compounded the anxiety about the control of weapons.

Chairman NUNN. Exactly, a drug problem and an alcohol problem that compounded the security concerns. Senator Howard Baker came to some of the same conclusions I did independently and we both rang some alarm bells back in the 1970's.

I might also add—and I think Director Freeh will cover this in his statement—we don't want people in Russia to get the opinion that we are saying you are the only one with an organized crime problem. We have been battling that problem here since the 1920's and 1930's and we, probably better than most countries in the world, understand that once organized crime gets a toe hold and once they get involved in legitimate businesses and start corrupting public officials, which has happened in this country, it is very difficult to deal with. The struggle in this country has been ongoing for some 35 years.

So as we focus on Russia this morning, I hope you understand that the reason we are alarmed about this problem in your country is because we, too, have experienced this problem and we understand something about it.

With that, let me introduce our distinguished witnesses this morning. By bringing together today's distinguished panel of law enforcement experts from the United States, Germany, and Russia, we hope to present an important perspective on the problem of organized crime.

It is my understanding this is the first time this kind of panel has been brought together to publicly discuss this topic from the

perspective of our three countries. I know that all of our Subcommittee will gain a great deal of perspective by hearing our witnesses this morning.

First, our Director of the Federal Bureau of Investigation, Louis Freeh. Louie Freeh is no stranger to this Subcommittee. He first appeared here in 1981, in February, when he testified about the influence of organized crime in the waterfront industries of New York and New Jersey. At that time, Director Freeh was a special agent with the FBI who, while working the streets of New York, had been responsible for the investigation of some of the leading organized crime and racketeering cases in the FBI's massive UNIRAC investigation. We were fortunate on this Subcommittee not only to have the benefit of his testimony, but also his expert assistance and full cooperation as he worked closely with the Subcommittee in preparation of those 1981 hearings.

As those in the law enforcement community well know, Louie Freeh went on from his work in the UNIRAC investigation to a stellar career as a Federal prosecutor, a Federal judge, and, of course, now the Director of the FBI. Over the years, he has worked closely with our Subcommittee and with others on Capitol Hill on a number of important criminal justice issues. Louie has always impressed me with his exceptional ability and his candor and his unwavering dedication to public service.

Louie, it is good to have you back here this morning. I might add that though your career has gone full circle to the top where you are now, you are still dealing with organized crime and it is still the same kind of organized crime we have seen in the past in terms of corruption and in terms of it being a very serious threat. Today, however, it has moved from more of a domestic concern to the world stage involving players all over the world.

Our next distinguished witness will be Hans-Ludwig Zachert, the President of the German Federal Criminal Police, an organization comparable in many respects to the Federal Bureau of Investigation here in the United States. President Zachert is a graduate of Bonn University, where he studied law. After passing his state legal exam in 1963, he worked for the Cologne Appeals Court and later joined the Federal Criminal Police in 1965. Since then, he has risen through the ranks to eventually become head of the entire force on April 1, 1990.

President Zachert is one of the most well-respected law enforcement officials in Europe and a well-recognized expert on problems facing his country from the rise of organized crime in the former Soviet Union. So we look forward particularly, President Zachert, to your testimony.

We are also pleased to have our third and equally distinguished witness with us today, Gen. Mikhail Yegorov, who is the First Deputy Minister and head of the Organized Crime Control Department of the Russian Ministry of Internal Affairs.

General Yegorov is a Russian career law enforcement officer who occupies two pivotal positions in his country's organized crime-fighting apparatus. As the representative of the Ministry of Internal Affairs on the Russian Security Council's Commission for Combating Crime and Corruption, he helps set the broad policy for Russia's organized crime-fighting strategy. As director of the Ministry's

main administration for organized crime, he is the chief implementor of that strategy.

General Yegorov is no stranger to the fight against organized crime. As a matter of fact, it appears that he has spent almost his entire professional career combating this problem in his country. During the 1970's and 1980's, he was the director of Economic Criminal Investigation in the Soviet Ministry of Internal Affairs in the regional office of Krasnoyarsk. He became the deputy chief of the Soviet Ministry of Internal Affairs' Administration for Organized Crime in 1985, later becoming its chief in 1991. General Yegorov was appointed First Deputy Minister of Internal Affairs in 1992.

General we appreciate very much your being here and we look forward to hearing your testimony and asking questions.

We are also very pleased to have Senator Cochran and Senator Bennett, who have joined us this morning. We appreciate you all participating. Do either of you have any statements you would like to make?

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. Mr. Chairman, thank you very much. I join you in welcoming our distinguished witnesses. I might say that it is very unusual for representatives of other governments to come voluntarily before a Committee of the Senate to testify. We deeply appreciate your cooperation and assistance with this Subcommittee, and we want to assure you that you will be shown the respect to which a representative of a sovereign nation is entitled in this Subcommittee. Thank you very much for being here.

Chairman NUNN. Senator Bennett.

OPENING STATEMENT OF SENATOR BENNETT

Senator BENNETT. Thank you, Mr. Chairman. I will be leaving tomorrow with some other Members of the Senate for Oslo, Norway, after which Senator Specter and I will be going to many of the states of the former Soviet Union during the following week. So I appreciate the opportunity to be here and get this kind of briefing prior to our trip to Moscow and other places. I am grateful for your courtesy.

Chairman NUNN. Thank you, Senator Bennett.

I might say the head sets—I am told No. 5 is English, No. 6 Russian, and No. 7 is German; 5, English; 6, Russian; 7, German. Senator Cohen, you probably speak all three languages and won't need any of them, but for the rest of us we will follow along.

So, Director Freeh, we will turn it over to you, and we will look forward to the testimony of all three of you and then we will have questions after that.

**TESTIMONY OF HON. LOUIS J. FREEH,¹ DIRECTOR, FEDERAL
BUREAU OF INVESTIGATION**

Mr. FREEH. Thank you, Mr. Chairman, for your very gracious remarks. It is a great honor to appear again before this Subcommittee.

I appreciate the opportunity to discuss with you this morning the dangers faced by the United States because of the growth of organized crime in Russia, other nations that were once part of the Soviet Union, and the former Soviet Bloc countries. I am particularly honored to appear here in a very unique capacity with two great allies of the United States in the international struggle against organized crime.

First Deputy Minister Yegorov has been relentless in his fight against organized crime in Russia, and he knows the problems in detail because of his experience and expertise. I might add that his voluntary appearance before this Subcommittee is really unprecedented in many ways. He has, along with Minister Yaren and President Yeltsin, acknowledged publicly in decrees and speeches the very grave problem which is country faces with respect to organized crime.

I might note that, historically speaking, the FBI waited 35 years before it had the wherewithal and the courage in some respects to acknowledge the problem, and also acknowledge the fact that it had not addressed that problem for over 35 years. So for that acknowledgement, I do commend my colleague from Russia for his courage and for his willingness to discuss and treat a problem which we ourselves ignored in our own country for many, many years.

I am also fortunate to appear with my good friend and distinguished colleague, President Zachert, who has also devoted himself to combating organized crime. He couples strong enforcement with an in-depth view of how invasions by organized crime threaten his country. He is a world-respected law enforcement leader and, again, it is my privilege to appear here with him.

The growth of Russian and Eurasian organized crime is a mounting threat to the safety and well-being of the United States. It is our problem now, just as it is the problem of Russia and a number of other great nations. We are gravely concerned that Russian organized crime members may have already attained or will attain the capacity to steal nuclear weapons. Among other dreadful possibilities, such stolen weapons could be sold potentially to terrorists who could use them against the United States and other countries.

Russian and Eurasian organized crime also threatens us in the same way as our own domestic and foreign organized crime groups—drug trafficking, murder, theft, extortion, fraud, money laundering, bribery, kidnapping, and other violent crimes.

Russian organized crime carries out illegal activities on its own and works with La Cosa Nostra and other Italian, Asian, and Colombian organized crime and drug trafficking groups. Last year, for example, a ton of cocaine shipped by Russian-Eurasian organized crime and Colombian drug cartels was interdicted by Russian authorities. In addition, we have deep concerns about the future of

¹ The prepared statement of Mr. Freeh appears on page 57.

democracy in Russia in light of the growing strength of these crime groups. The end of democracy in Russia would certainly endanger peace for the entire world.

The question is often asked, why does the FBI have such a great interest in Russian organized crime, especially since crime problems in our own country are so bad, when areas of our nation seem to have so little meaning for law and even less order in themselves, and when stringent budgets curtail funding for even important crime reduction programs in the United States.

The answer is that the FBI has the responsibility to protect the United States from terrorism and crime. To safeguard America, we must be vigilant to new threats against our domestic security and move to defeat them whenever and wherever they pose real threats. The time to move against such threats as nuclear weapons in the hands of terrorists is now, not after there has been an incident of mass destruction in our country.

The threat that Russian-Eurasian criminal groups pose to civil order in Russia is also not imagined or illusory. Solutions to the problems are critical, not just for Russian but for all of us. The fall of democracy in Russia would pose a direct threat to the national security of the United States.

Assessments of danger do not come from the United States alone. Only last month, President Yeltsin's Anti-Crime Council said, "In recent years, the crime problem in the Russian Federation has sharply deteriorated. The scale of crime and its tendency to increase are dangerously deforming the course of reform and are posing a threat to the basic foundations of Russian statehood, constitutional legality, and citizen security."

The question then arises, what can we do to help Russia and help the United States and other nations at the same time. The answer is that important steps are being taken by Attorney General Janet Reno, the FBI, other Department of Justice agencies, and other parts of the Federal Government to work in partnership with Russia to fight this grave and growing problem.

I am pleased to announce today that the FBI will shortly open a legal attaché office in Moscow staffed with FBI agents, whose job it will be to work in partnership with Russian law enforcement officials on grave matters of joint concern. For some time, FBI officials have made short-term visits to Russia from attaché offices in other parts of Europe for cooperative enforcement efforts. However, this will be the first time that the Department of Justice has ever stationed full-time law enforcement officers in Russia.

The FBI's criminal investigative presence in Moscow will greatly assist the establishment of an all-important law enforcement bridge between Russia and the United States. This bridge will create contacts between the FBI and Russian police that will enable our two nations to fully coordinate, investigate, and support important criminal investigations of mutual concern. The FBI's office in Moscow is a critical first step in expansion of cooperative law enforcement efforts. It is needed to help stem the tide of Russian-Eurasian organized crime.

I am also announcing today that a delegation of Federal law enforcement officials will soon travel to Russia, Germany, and a number of other European nations in late June and early July for im-

portant, high-level talks on joint crime concerns. The U.S. delegation will include Ronald Noble, Assistant Secretary of the Treasury for Enforcement; Ambassador Robert Gelbard, Assistant Secretary of State for International Narcotics Matters; Tom Constantine, Administrator of the Drug Enforcement Administration; and myself. In international law enforcement, there is really no substitute for personal commitments by leaders in the community helping to establish better coordination among agencies.

To enhance police-to-police contacts, the FBI will train Russian law enforcement personnel, as requested. The training will be valuable because the FBI has long fought organized crime. It is a tenacious foe, as the Nation has learned, with regret, since the 1920's.

In addition, the FBI hopes to be able to create with Russia, Germany, and other European nations a joint police intelligence base on all aspects of organized crime, including potential thefts of nuclear materials. The United States, Russia, and Germany will also install direct, secure communications among the police agencies of the three nations. We expect this network to greatly improve investigative assistance.

The key Federal agencies and departments are united in their determination to work closely together in this country and carry that same spirit of cooperation overseas. For example, the Department of State has furnished funds that enable the FBI to train police from Poland, Hungary, the Czech Republic, Estonia, and Lithuania. Later this summer, police from Latvia will train at the FBI's Academy in Quantico.

Career FBI officials, who welcome these new law enforcement partnerships, have termed Ambassador Gelbard a "compatriot of remarkable skill." I also know from personal experience that Assistant Secretary Noble is doing a remarkable job in forging new and stronger ties with law enforcement agencies in the Federal Government and with governments abroad. And Tom Constantine, the outstanding new Administrator of DEA, is already developing programs to fully share DEA's vast and unique expertise in drug enforcement matters with other nations joining us in the difficult struggle against drug trafficking.

I stress I am not pointing a finger of blame at Russia for the growth of organized crime. Long before the new Russia existed, organized crime was a fact of life in the Soviet Union. I do not suggest the United States is free of its own home-grown organized crime groups which cause widespread crime and violence and pose such deadly threats to both our people and the rule of law that enables our democracy to function.

The United States holds shameful world records for organized crime activities; for example, drug trafficking and use responsible for a massive toll of death and human suffering. My purpose today is to discuss plain facts and cite the dangers that exist not only for the security of the American people, but for other nations as well.

The United States went to sleep in the 1920's and slept for decades as it, by default, permitted organized crime to grow unchecked in this country. Indeed, until the 1960's, the Federal Government didn't even know its real name—La Cosa Nostra. The mob smuggled and sold drugs; corrupted police and public officials; killed with impunity; burrowed into important sections of our economy;

terrorized portions of our society; broke knee caps; and played golf, did business and socialized with some of the brightest lights in the country.

Those dreadful activities continue today, not just with traditional organized crime, but with all new types of organized crime that have developed, including the Latin American drug cartels and the rapidly growing Asian crime groups. It was not until the late 1960's that the Federal Government finally began the slow, difficult job of creating tough enforcement programs against traditional organized crime—programs that have been remarkably successful in recent years.

But grave problems still remain and it has been a long, costly struggle to get where we are, still short of victory. And then we must consider this: there are estimates that the number of persons in organized crime gangs in Russia far exceed the number of La Cosa Nostra members and associates in the United States.

One of the lessons we have learned at such great cost is that we must attack new types of crime promptly and in force so we can defeat them before they grow out of control. That is why the FBI and other Federal agencies and departments are reaching out to help build law enforcement bridges to Russia, Germany and other European countries. That is why they are reaching out to us, for we are faced with a common threat, a threat against America, Russia and countless other nations in Europe and elsewhere. We cannot afford to let that check grow unchecked.

Bridges must be built. If we join forces, then we all can win. If we fail to build and maintain those bridges, we will all certainly lose, and probably sooner than later. A senior Russian law enforcement official said last month that his country's organized crime problems include drugs, trafficking in illegal firearms, large-scale thefts, financial fraud, white collar crime, money laundering, and murder. That official could have been describing the organized crime that has operated in the United States on a large scale for three-quarters of a century.

What we now term Russian-Eurasian organized crime has made inroads in the United States. One of its activities has been massive fraud in excise taxes on gasoline on the East Coast, an illicit enterprise with La Cosa Nostra as a partner. Here is another example: Russian organized crime getting \$1 billion in a health care fraud case in Los Angeles. But it is not a one-way street from Russia to the United States. In one case, gang leaders went from America to Russia and worked with mobsters there on a major drug trafficking deal.

Russia has supplied valuable help to the United States. It includes information on Russian organized crime members trying to enter the country and U.S. fugitives captured by Russian authorities and returned to this country for trial. A template for eventual success is the joint program against drug trafficking developed by the United States and Italy beginning in 1981. Hundreds of mob members have been sent to prison in both countries and the program is still being improved.

Since becoming Director of the FBI last September, I have spent much of my time studying the crime problems that face the United States and creating priorities to attack them. I have come to a so-

bering conclusion. After we consider all of the organized crime problems, all of the possible illegal activities, the one that is most frightening is the proliferation of nuclear weapons and materials.

We must focus on the possibility of organized crime, rogue nations, or bands of terrorists obtaining nuclear weapons or weapons-grade plutonium and uranium from Russia or any other source. There are vast amounts of nuclear weapons and nuclear materials in the former Soviet Union. It is the greatest long-term threat to the security of the United States. This is the priority we must work on jointly with Russia.

I also have concerns about nuclear weapons being stolen from other countries, for it really is a worldwide problem and no nation is without enemies. The possibility exists that the leaders of any country, along with their innocent peoples, could be vaporized by terrorists using nuclear weapons as their passport to power.

The bridges being built by the United States, Russia and other parts of Europe must be duplicated in every part of this small, dangerous world. There is no shortage of persons who would use nuclear weapons if they could only obtain them. I must again point out that I am not selecting Russia for criticism when I talk of proliferation of nuclear weapons. Only last week, a report in the New York Times said private experts accuse the U.S. Government of "a laxity that raises questions" about whether a large amount of plutonium is missing from Federal facilities. The story went on to say there were concerns that the Federal facilities "were sloppy and prime targets for atomic theft and diversion."

Of course, the story serves to show that we must make certain our own house is in order, make certain that we carefully guard our own nuclear weapons and materials. At the same time, the new bridge to Russia must be built. We can help each other. Those needs are great.

We have all been fortunate—maybe "lucky" is a better word—that there apparently have been no nuclear thefts so far, but the threat is now. Organized crime has unique abilities to commit thefts and diversions. This is why we must take action before a major nuclear incident occurs. In an age of porous borders, any nation on earth could be in jeopardy. Criminals who freely smuggle drugs and other contraband from one nation to another would certainly be capable of transporting nuclear weapons and nuclear materials without being discovered. The cooperation represented by these new bridges is the only way that all of us can eventually be free of this nightmare and work together to preserve the rule of law.

Thank you very much, Mr. Chairman.

Chairman NUNN. Thank you, Director Freeh.

President Zachert, we look forward to hearing from you.

**TESTIMONY OF HON. HANS-LUDWIG ZACHERT,¹ PRASIDENT
DES BUNDESKRIMINALAMTS (GERMAN FEDERAL CRIMINAL
POLICE), FEDERAL REPUBLIC OF GERMANY**

President ZACHERT. Ladies and gentlemen, Senators, I would like to begin by expressing my gratitude for the invitation to be able

¹ The prepared statement of President Zachert appears on page 66.

to testify before this Senate Subcommittee. What we deal with is an immensely important subject and it is a personal privilege and honor to have been called upon to participate in combating organized crime.

I would like to congratulate Senator Nunn specifically for dedicating so much time to this major subject matter. Senator Nunn, we remember that in the 1970's you already drew our attention to the fact that conventional weapons might also be a problem. That was an important issue at the time, but let me return to organized crime.

You, Senator Roth, very correctly underlined, and I can only agree with you, that this is a global, a worldwide problem, and for that reason we have to combat it internationally. It would be erroneous to think that national programs, national concepts, or regional concepts and measures would be sufficient. It would be inadequate for all of us individually to combat the phenomenon of organized crime. We have to cooperate, and my colleague Freeh already addressed that.

I would now like to address some particular events. In March 1994, a German architect, whose company has an office in St. Petersburg and is restoring and renovating apartments, offices and hotels, was brutally attacked physically. He lost an eye, his nose was broken, his teeth were bashed in, and he had a brain trauma. Members of his company say that he was probably assaulted because he was not willing to pay protection money to a Russian group of criminals.

This is not a single incident. It is only an example for the level of crime that we are facing today, not only in Western and Eastern Europe, and this is not only a task that has to be taken over by Germany. It is also a task that other countries have to resolve, and it is not only Germans that are being attacked in Russia.

We have a high level of crime in Germany, as well as in other states of Europe, and in less than 20 years there was a 100 percent increase in our crime rate. Western Europe now has become more integrated. There have been major political changes in the East, and this has had a major impact on crime as well. Criminals today have new possibilities. There is global mobility, and that means there is global mobility for criminals as well.

There is a prosperity gap between our countries and most other regions of the world. There are considerable numbers of refugees because we have wars and conflicts, and that means that many people come to Central Europe from other regions and among them are criminals and terrorists and extremists, and that means that there are new regions of crime, new variations of crime that we have to combat and be able to combat at very short notice.

Of course, the majority of our criminal activities are still of the traditional kind, but in addition to this day-to-day crime, as I would like to call it, we also have another higher level of organized crime which is becoming more and more threatening, more and more dangerous, and has already taken over large regions of the so-called traditional crime as long as the profits are good.

It is not easy to recognize organized crime. It is based on conspiracy, on covert action, and for that reason it is difficult for us to recognize when we are dealing with OC, and for that reason we also

have a political task here. Time and again when I talk with European politicians about this, we are being told this is racketeering, this is local crime, and the politicians do not realize that there is an international network of organized crime and that there is even a division of labor; that this is a growth economy, so to speak, and that this is a business, that there are even business structures within these organized crime groups. They are almost run like modern corporations to maximize profits on the highest level, and that is a major threat that we have to take very seriously.

Ladies and gentlemen, from the point of view of law enforcement agencies, I can tell you that OC, as far as our internal security is concerned, will be the major threat, the major problem of the 1990's.

Organized crime is not limited to certain categories of crime, and as far as Germany is concerned it does not have a uniform structure. There is a whole spectrum of criminal activities. There are loose structures, loose teams. There are loose business structures on the one hand, and on the other hand you may have independent, very strictly organized hierarchical ethnic groups of criminals. These very often are based abroad, but are active in Germany and our country then becomes a base for activities or a place where criminals can rest and recover, and the Italian Mafia has done that.

Now, with our traditional criminal analyses and measures and approaches to analyses, we have not really been able to fully understand the level of professionalism of organized crime. Organized crime is invisible, it is inaccessible, and it is very difficult to exactly draw the line of what a legal activity is and what an illegal activity is. Reliable measuring instruments to quantify the impact of OC are not available.

We have talked about fantasy, we have talked about reality, we have talked about the actual dimensions of OC, and right now we are guessing and we are not really sure what reality looks like. But at the same time, we have to try to be realistic as much as possible.

What is the actual damage caused? Some people talk of three-digit numbers, of billions of deutsche marks per year in the Federal Republic alone, but we cannot prove this. We don't know what is fantasy and what is fact. Based on our statistics, and this is only the tip of the iceberg, per annum we expect damage due to OC in Germany of 2 billion deutsche marks, roughly. We can prove it, but that is only a minimum guess, an absolute minimum.

In addition, over the past several years, specifically over the past 2 years, we tried to quantify profits of OC, illegal profits, and we arrived at a number of 600 to 700 million deutsche marks, but again that is just a minimum number. I don't think that reflects the true dimension of the actual level of profits, tax evasion, et cetera, et cetera.

What the police know about organized crime from its investigations was reported over the past years in the form of situational reports. In summing, we might say that some groups in organized crime pose a special threat to Germany. First of all, there is organized crime as we know it from Italy, but, in addition, Eastern European groups have increasingly been active in this area. They

show in a particularly clear fashion how fast and flexible offenders are able to adjust to changing economic conditions and how they are able to use the benefits of a market economy for their illegal dealings.

We are talking about very intelligent criminals, people who are able to adjust to gaps in the market, new patterns of crime. I can tell you, anything that means profit, lots of profit, is something criminals use, and that unfortunately includes nuclear material. Nuclear material is something where one can earn lots of money because it is an effective means for extortion.

As a result of the collapse of the Eastern Bloc, a large criminal potential was released. It is causing problems not only in Eastern Europe itself, but also in Western Europe and, in particular, in Germany. The share of Eastern Europeans among the suspects in the field of organized crime we investigated in the last 2 years was approximately 11 percent. That means about 1,000 suspects per year. They favored the following types of crimes: auto theft, auto trafficking, drug-related crime, money counterfeiting. The U.S. dollar and the German mark have become a substitute currency in the CIS states, and they have found wonderful ways of forging these types of bank notes. They also engaged in extortion, in protection rackets, and in trafficking of human beings.

I would now like to pick a very few offenses which have caused grave concern among the law enforcement community and the population in our country. The German people are very concerned about the rise in crime. During recent opinion polls, Germans stated that they are firmly convinced that they themselves were likely to become victims of offenders during the next 5 years at some point. Approximately 50 to 60 percent of our fellow citizens made a statement to the effect that they feel that they are potential crime victims even at this time, compared to studies in the United States that have brought the result that people here feel less likely to become victims.

Given the specific type of threat and the unpredictable potential damage that can be caused, the relatively new area of nuclear crime is exceedingly important in how we view our security situation. The number of cases where we investigated suspicion of trade in radioactive substances nearly quadrupled between 1991 and 1992. In 1993, an increase of more than 50 percent, to a total of 241 cases, was recorded.

Remember the following figures. In 1990, we had four cases; 1991, 41 cases; 1992, 158 cases; and 1993, 241 cases, total. Now, I have to add that approximately half of these cases involved mere scams. People pretended to have such nuclear material, but, in fact, they did not. But in 1992, of these 158 cases, 99 had enough substance to them for us to initiate investigations on suspicion of nuclear theft. In 18 cases, we did, in fact, find radioactive material. That shows that at least there is some kind of a trend that enriched material actually exist, and for us as law enforcement officials that means that it would be unacceptable if we were to say, well, we weren't prepared for all that.

Therefore, every law enforcement official must be prepared for the worst because at some point we would be accused of being careless if ever such a case were to occur. Without being sensational,

we must talk about this problem and I am very grateful that we are able to do it in this type of a setting.

Now, investigations in which, on the one hand, radioactive substances were found or credible offers were made to sell them and, on the other hand, those where they were fraudulently offered more or less balanced each other out. In addition to nonweapons-grade material, such as low-enriched uranium, cobalt, cesium, strontium or californium, weapons-grade plutonium, and highly enriched uranium were offered as well—offered, I say. They were not seized; we didn't seize any.

People said that by offering low-enriched weapon material, they were proving that they were, in fact, also able to provide highly enriched uranium, but there was not a single case where we actually found highly enriched uranium. But the question is whether these offenders might have access to weapons-grade materials. At this point, we have no indication of any of the offerors actually having weapons-grade materials. There was a material called red mercury, which was possibly used as a code name for uranium or plutonium, which was offered at very high prices and sold at very high prices.

I would like to mention that there is no nuclear market in Europe, per se, but there could be people who have an interest in weapons-grade nuclear material. Look at Asia, look at the Middle East where there might be an interest, and it is entirely conceivable from a law enforcement point of view that radioactive substances could be used for extortion, for blackmail, so that this material is, in fact, very interesting as far as criminals are concerned. But we don't yet have a market which absorbs certain amounts of this material.

Red mercury that is being offered and has been offered was allegedly to be used for the manufacture of nuclear weapons or fuses, for stabilization of rockets, and for mixture to high-quality explosives, but according to our intelligence to date, this did not occur in a single instance. The materials offerors largely originated abroad and frequently came from Eastern Europe.

Nuclear crime must be viewed in connection with developments in Eastern Europe. The illegal availability of radioactive substances is something that is being favored by unstable political conditions and inadequate security and control measures. Quite obviously, the CIS states have the personnel and material potential that could be used increasingly for illegal purposes, given the decline in the economies.

In 1993, we had our first two extortion cases which caused us to institute investigations. The criminals had threatened to use nuclear devices and release radioactive substances. However, no such occurrences did actually occur. It remained as a threat. Last year, in connection with nuclear crime, we investigated more than 500 suspects and apprehended more than 500. Nearly half of them were foreigners and they were largely Czechs, Poles, and Russian nationals.

We have information regarding organized crime groups that operate internationally and have connections with government circles and even security agencies. That is an allegation, anyway. They are said to have said, well, we are able to bring in high-ranking military people, and such, but so far we have not been able to prove

that any of these connections actually exist. These are ongoing investigations we are talking about here.

Eastern European criminals and crime groups are finding and defending their place not only in terms of criminal activity. They are increasingly becoming active in areas where they did not have strong positions in the past when their home countries were not able to freely engage in commerce with other states. I would like to illustrate the growing significance using as an example the cultivation, manufacture and trafficking in drugs, which is yet another field in which the CIS countries are becoming increasingly important.

As far as heroin is concerned, Uzbekistan, Turkmenistan, and Tajikistan are major players. According to our information, approximately 1,500 tons of raw opium was cultivated in 1992, and that has led to a remarkable growth in the market offerings. Poland plays a major role in supplying Western Europe with amphetamines. Amphetamines have also been found in the Baltic states. Altogether, 3 tons of NDR tablets were seized by us, and Hungary and Bulgaria are also active in producing synthetic drugs. UN facilities have reported huge cannabis fields in hard-to-control, hard-to-access regions in various CIS republics.

As a result of the war in the former Yugoslavia, there has been a shift of the classical Balkan transport routes for heroin imports from the Middle East to Central Europe. The transport routes are largely going through the Ukraine and Poland and, in addition, the Baltic republics are gaining increasing importance in connection with smuggling drugs to Western Europe.

A couple of weeks ago, I talked with my colleagues from the five Scandinavian countries and in the course of our conference we exchanged intelligence because the Scandinavians have a special interest in these kinds of developments. The transport of cocaine from Latin America is increasingly going through Eastern European countries. We have seized substances and apprehended people in recent times. In some of these instances, St. Petersburg and some of the ports in the Baltic were involved. Increasingly, the Central Asian republics will be important for transit and smuggling of drugs.

Yet another staple of organized crime, as it exists in Eastern Europe, is extortion. During the past couple of months, we increasingly heard of cases where German and foreign businessmen had been subjected to extortion in Russia by native criminal elements. I have mentioned that already. The information was received from charges brought by the people concerned, from the press, and from questions directed to us by companies who want to know what they should do in such cases.

According to what we know, it has to be assumed that a large number of Western companies operating in Russia, but also Russian and East European businessmen, are either paying protection money or are being approached for payment of such money by Russian criminals. We are also aware that businessmen are hesitant to report such attempts because they are afraid that their business interests might be endangered when they approach law enforcement agencies. So we may have some gray figures there for these reasons.

As a result of the collapse of the Iron Curtain, international organized counterfeiting has developed in the states of Eastern Europe and the former Soviet Union. These countries have a special interest in the German mark and the U.S. dollar as substitute currencies. I mentioned that. Approximately 25 percent of the German counterfeit money seized was manufactured in 1993 by organized criminal groups in Poland. The bank notes manufactured there arrive in large numbers not only in Germany, but also in other Eastern European countries. The same is true as far as the U.S. dollar is concerned.

As a result of disarmament and the opening of borders within Eastern Europe, weapons are made available which, because of deficiencies in control mechanisms, frequently end up in secret channels. Many of these weapons, no doubt, end up in the areas of the former Yugoslavia that are fighting, but there are also negotiations with German nationals and companies which have connections with countries in the former Eastern Bloc.

We have heard of a wide variety of weapons being offered—war weapons and other weapons, long guns and short guns, fighter planes, and modern tanks. Frequently, these deals fall through because the Western partners don't have the necessary money.

When the borders disappeared, a new market for stolen vehicles became apparent. Poland has been functioning as a hub for trafficking routes. From Poland, stolen vehicles are brought to the Baltic republics, to the Ukraine, to Russia, and into the Caucasus region. According to police intelligence, this is an area which is also in the hands of organized criminals. Some of them are also active in other types of crime and are quite willing to use violence.

In addition to German and Polish groups of criminals, we are increasingly finding ethnically uniform groups made of Bulgarians or Russians. They control the trafficking routes deep into Russia. So we are dealing here also to some extent with an ethnic Mafia. That means that it is impossible for us to use German undercover agents. They cannot penetrate these groups. These people speak rare languages. Frequently when we are tapping phones, we can't understand what people are talking about. We can't get interpreters fast enough. So you can see that it is increasingly difficult for us to break into such ethnic crime groups. That is an additional administrative, logistical problem that we are increasingly facing.

Fighting all manner of crime cannot be something that we leave to law enforcement agencies. Society as a whole must become active in it. Once borders disappear, this means that society as a whole cannot be limited to mean the society of one state. One of my esteemed colleagues, Senator Cohen, spoke of a global problem, and I agree with him. We are no longer talking about a problem that can be solved nationally. Today, we are really forced to take a leaf out of the book of organized crime and think in terms of all of Europe, and in some instances and in the area of some crime also in global dimensions.

The rapid growth of international police cooperation is very important in this respect. A special role is played by East-West cooperation. At this point, I might add that our Western European strategies are really focusing on the West. We have Europol, we have the Schengen Agreement, which are really westward-looking.

What we are missing is a tie-in of the Eastern European countries. Security is indivisible, and therefore the Federal Republic has begun to enter into bilateral agreements with Eastern European states.

A rapid increase of international police cooperation is therefore very important, especially as this focuses on the East. In the past years, we have pushed cooperation with the states of the former Eastern Bloc, giving them advice, technical assistance, and training assistance. We have increased our information and intelligence exchange, and we have therefore sent liaison officers to Poland and to Hungary, for example.

In March 1993, the German and Russian sides signed a protocol to expand encrypted communications between the two countries, including, as needed, the FBI in Washington and the DIA in Rome. I am very grateful to Director Freeh for having supported these two types of close cooperation. Suppression of organized crime is one of the main tasks of a German-Russian working group which meets as required and, if needed, includes the FBI and the DIA. A joint meeting is scheduled for July.

The Czech and the Slovak Republics and Hungary have been the subject of special agreements for the suppression of organized crime. We have drafted agreements involving other states of Western Europe, but they have not been ratified yet. We are thinking in terms of setting up a security council for the East and the West which would, in addition to Germans, including representatives from Poland, the Czech and the Slovak Republics, and Austria. It is to deal with supernational issues of crime suppression. At the level of Interpol, a working group is dealing with the issue of illegal trafficking in radioactive substances. In addition to information and intelligence, it is also working on concrete development of transborder cooperation.

In addition to the Interpol cooperation within Europe, we need closer cooperation beyond national borders. Europe must be viewed as a unity, as one entity, in terms of crime, and therefore we have to offset any existing security deficits through international cooperation at all levels. The models for this can be the Schengen Treaty and Europol.

The objective of our efforts is an extensive exchange of information, and therefore I am especially grateful to you for giving me this opportunity to speak to you today. Thank you very much.

Chairman NUNN. Thank you, President Zachert.

General Yegorov, we are again delighted to have you. We look forward to hearing from you.

TESTIMONY OF HON. MIKHAIL YEGOROV,¹ FIRST DEPUTY MINISTER, AND HEAD OF THE ORGANIZED CRIME CONTROL DEPARTMENT, RUSSIAN MINISTRY OF INTERNAL AFFAIRS

General YEGOROV. Ladies and gentlemen, it is a great honor for me to speak in the Senate of the United States, and allow me on behalf of myself and the Ministry of Internal Affairs to thank you for this opportunity for expressing my opinion on the indicated issues. I am very grateful to the Chairman of the Senate Subcommit-

¹ The prepared statement of General Yegorov appears on page 76.

tee, Senator Nunn. Also, let me express my appreciation for the great, fruitful and cooperative work with the BKA head, Mr. Zachert.

Having listened to my colleagues, I support those conclusions which were drawn here, and I, on my part, will try to share with you my knowledge and my sense of organized crime in Russia, its influence on the social and economic life of the country, its negative consequences on the international level, taking into account the questions which were raised here by you.

The first thing I would like to say is the development of organized crime in the former Soviet Union was aided by the state command system and the shadow economy which it engendered, and many efforts in the 1970's to change the economic laws through stress and pressure from above to normalize market conditions and the conditions of the black market and the accumulation of a certain criminal potential. Commercial structures resulted from this, and a very broad theft of resources from the government and private sectors. Many people who now possess illegal capital—and we now have people as well, tens of thousands of criminal elements in the prisons, which acted as a sort of a university for them.

A further mechanism that developed in organized crime in the 1980's is represented by the traditional criminal environment, but the general interest that these people have created a cooperation between the opposing sides on a beneficial basis. We can state that when capital increased through criminal means during the years of stagnation and during the manipulations, embezzlement, racketeering, theft and sales of weapons and narcotics took place, and the legalized dirty money in the economic sphere brought on profits to criminal groups and served to expand the criminal activities, this, of course, influenced the organization of these groups.

While, in 1990, Russia had some 785 organized groups, now we have 5,691 such groups. The leaders of these groups are carried out by some 3,000 criminal bosses, among them 279 crime bosses. According to data that we have, 926 groups have now formed 155 criminal associations, each numbering from 70 to 300 persons. The number of active participants in these criminal groups, according to our data, which are not precise, reaches approximately 100,000 people.

I would like to note that I have been following the foreign press and I would like to say this. In Russia, there is a joint center of organized crime. They do have a lot of conflicts, and a lot of times these are resolved with shooting. Organized crime really bears an interregional character, and more than 300 organized groups work abroad.

When we talk about the areas outside of the former Soviet Union, there are approximately 100 criminal groups settled there. I have read in your sources that there are about 2,000. According to our data, there are about 100 criminal groups that are concentrated in the faraway countries.

We have data and information that we have approximately 4,000 people who deal regularly with 29 countries abroad. According to the information that we have, there are 24 groups operating in the U.S. territory. Their activities center around San Francisco, Los

Angeles, Miami, Chicago, and New York, and they engage in money laundering, illegal money transactions, and narcotics.

Many American citizens have become their victims and a number of their swindles were planned by former citizens of the Soviet Union who are now emigres living here in America. Many of these have financial crimes. There are such groups as Alimov, Dobrovsky, Shusterov, and there are other groups that I could list for you. We have worked together with the FBI on solving these crimes.

The influence of Russian organized crime also affects Europe. There are approximately 47 groups working actively in Germany. They do extortion, fraud, and other economic crimes. Their elite chooses Germany as a place for living there, setting up residence, doing banking operations there. We know that more than 60 groups are operating in Italy.

These facts and these examples—and I am citing these countries here to express the following thought. One hundred and one organized Russian crime groups act in 29 countries. Our countrymen, together with local criminals, can bring detriment to another country without even actively being there. I would also like to say that organized crime, when it goes beyond the borders of any one country, acquires a completely new quality. It is located in a different legal jurisdiction and nonstandard methods should be applied against these groups, methods which would be coordinated with the law enforcement agencies of these countries.

This situation is very complex in Russia. In 1983, we had 2 million crimes. The numbers of thefts and murders have grown substantially. This kind of background, of course, cannot but influence the reform process in the country, and these processes are taking place in organized crime. They are characterized by the following. These are consolidations of these criminal groups, and the increase of the position and the strengthening of the position of the criminal groups—they are becoming more and more armed. They are using terror tactics, they are doing contract murders, they are stealing incredibly large amounts of money with the assistance of officials.

There are operations that are carried out to combat this by the Ministry of Internal Affairs. Last year—and I can use this to illustrate how actively we are working—183 of our people have been killed and over 800 wounded. We have 48 people killed thus far this year and 120 wounded. All sorts of weapons are being used, including fully automatic.

There is a very difficult situation also here that is compounded by the fact that there are more than 380 ethnic groups operating in our country. The Chechen group, Azerbaijan, Armenian, and Georgian groups present the greatest danger. The Chinese are organizing very actively, and Vietnamese and the Gypsy criminal elements as well.

According to the information that we have, approximately 3,270 organized groups accomplish fraud and laundering of money and other criminal activities. Let me cite the following example. Last year in the foreign economic sphere, we began investigating 9,500 cases. We have stopped the illegal export of materials to the total of 100 billion rubles.

The loss of materials is still occurring. These criminals are using the opportunities provided by joint ventures, and very often

undesirables are taking part in these joint business ventures, so there are criminals on both sides of the ocean and this involves many, many countries, including the United States. Here, I can cite many more examples. I don't want to take up your time.

Another problem in Russia is the problem of corruption. This problem remains very complex and it aids the formation and strengthening of the position of the criminal organizations. They are establishing interregional and international organizations. Every sixth organized crime group uses officials as part of their cohorts. Up to 50 percent, in some cases, of the profits that these criminal organizations get they use to bribe official persons in the government and in the administrative organs.

The amount of crime that is committed in the former Soviet Union—in 1993, approximately 75,000 U.S. citizens visited Russia. Most of them visited Moscow, St. Petersburg, and Vladivostok. Over 1 year, 180 crimes have been committed against U.S. citizens. Of these, 60 percent were simply thefts, and then there are robberies, and 11 percent is car theft. We are able to solve but 30 percent of these crimes. In the first quarter of this year, there were 52 crimes against Americans in St. Petersburg alone.

Now, about drug trafficking, this is a highly profitable business, and according to our estimates the annual profit is 170 billion rubles. In the Russian territory, there are drug routes that are directed toward Western Europe and Scandinavia that transport cocaine and hashish from Central Asia, cocaine from Colombia, morphine from India.

We have very good contacts with the FBI and with the German authorities, and we have very good relations with these organizations and we are following five crime groups. At the present time, Russia can state that the market is growing in our country as well. These crime groups in recent years are demonstrating more and more interest toward the defense facilities of the former Soviet Union. According to our investigations, the reason for this occurrence is the following.

It is conditionalized by the existence of this myth that there is a lot of demand for radioactive materials abroad and the high costs involved. This is what our analysts came up with. At the defense facilities of Russia, the control systems and security systems practically make it impossible to lose any of these materials. Along with this is, over the past 1½ years, 47 criminal cases are being investigated connected with radioactive materials. Of these, 20 were investigated for safeguarding and storing these materials, and 27 for stealing them.

Our investigation shows that uranium-238 and enriched uranium-235 that are used in civilian production—and these materials, according to their characteristics, cannot be used for producing nuclear weapons. A whole network of specialized enterprises would be required to produce nuclear-grade weapons material from these materials. The problem of proliferation has been the focus of the Russian authorities and we are safeguarding the materials.

I will say the following, that the Ministry of Internal Affairs—the facts that are most concerning for us are any information that alleges that materials have been stolen or that highly enriched materials have been stolen somewhere. We have investigated nine

cases alleging this. Of these cases, I will say the following. Of these 9 alleged cases, there is only one that involved organized crime groups. The rest of these cases investigated were simply individuals who wanted to enrich themselves.

The capability of the Russian law enforcement groups and their activities is tied directly with the reform process, I think. Up until 1989, it was impossible to have any kind of organized crime in Russia, according to the official statistics, but nevertheless it did exist and our experts stated that we should prepare for this phenomenon. But realistically speaking, the war on crime began, realistically speaking, in 1992 through a decree of the President. We were provided with a certain amount of funding and a number of personnel. We had an increase of 8,000 judges in our legal system. This money came from the finance ministry.

There is a system for combating organized crime which is carried out in 13 regions of Russia. Seventy-eight regional offices in 148 cities are involved here. We know that organized crime is very active. We have more than 14,000 MVD personnel that are active in these cities and they are able to very quickly free hostages and they can be moved—it's a rapid reaction force of sorts; they can be moved very quickly to wherever it is necessary.

In 1993, we began investigations of over 5,000 cases and we brought to justice 11,000 members of organized crime groups. Among these there were 1,200 crime bosses. Over 12,000 automatic weapons have been seized as well. Organized crime has not really been stopped. Counting those crimes which have also been committed in the international arena, when we are speaking of organized crime we are looking at two things here.

First of all, there are traditional connections between the various republics of the former Soviet Union. There are virtually no borders. In other words, the criminal groups are closely tied in and connected. Second, the monies that will be invested by organized crime abroad will definitely come back to Russia and will again serve to increase growth of organized crime. Therefore, a special bureau was organized in the struggle with organized crime. It is located in Moscow, this center, and there are representatives in the police and militia of all the republics of the CIS.

We have made the first steps in the investigation of international crime groups with my colleagues, along with the FBI and the German organs, and we have certain experience. We already have encoded communication channels, and we think that this will also soon be working between the FBI and Italy. We have strengthened our ties with other countries which work in an effective legal base in Russia. Right now, there are two legislations that are being studied by the government, one on corruption and one on organized crime. We think this falls within the international norm.

I think if the Parliament is going to look at this and support it, this will be a great support for us in our struggle against organized crime. The level of the struggle with international crime, I don't think falls within the requirements that must be met. We do not have any agreements in place directly about direct aid by other governments, and in particular with the United States, and this allows the Russian criminal to constantly be in the United States, and vice versa.

Second, the interaction of information between the law enforcement agencies is not sufficient. It just is not enough to have one exchange. It is important to have investigations that will aid in identifying the organized groups. It is true that there is a need for the MVD of Russia and the FBI and BKA to cooperate. At the same time, it is necessary to have the support of international public opinion, and I must thank the United Nations that is conducting this.

It was said here, and it was correct, that if we have legal borders, then at the same time criminals do not have such borders. During today's hearing, I am sure that this has been shown clearly. At the same time, the law enforcement authorities are not very effective. They don't have the effective legislation on money laundering and other areas. That prevents them from functioning effectively. I think that perhaps our international documents should be changed or corrected that deal with drug trafficking, and also fissionable materials, especially taking into account the activity of organized crime groups. As someone who works in a law enforcement agency, I would be very happy to see such an initiative take place, that our parliamentary leaders both in Russia and here were to take such an initiative.

Lastly, having met Mr. Freeh, this once more tells me that we need to have a joint effort in our struggle against organized crime. If we are going to have such a group that would include all those present here in order to study these groups—there is no other effective way if we do not work together. In this connection, these measures will, of course, be quite costly in terms of manpower and finances in general, and I think we can all participate in this.

I thank you for your attention.

Chairman NUNN. General, let me start with you. You mentioned the problems of corruption and the pervasive nature of that corruption in your country, including infiltration of legitimate businesses and bribing of public officials. You also mentioned that a good portion of the proceeds from organized criminal activity probably goes for that kind of corrupting influence.

What do you do in your own Interior Ministry, in your own police force, to try to combat this problem, and how serious is the problem within your own police force?

General YEGOROV. I believe the biggest problem is dirty money because this engendered everything, including the radioactive materials, narcotics, and other crimes. In the end, it is the criminal element that makes dirty money. We have a system which combats bribetaking and we have two forms of control.

First, there is a division for combating and controlling economic crimes. We have 16,000 people working there. One hundred and twenty thousand crimes are investigated each year. We combat corruption in the same way. We control this through another organization, and by having these two parallel organizations they have a check-and-balance system.

The biggest problem that we have is dirty money getting into the hands of legislators. I don't know what to call our country now, whether we are a capitalist country or a socialist country, but we still have a legal system of the old socialist system, so therefore we have a very great difficulty here. The draft legislation has been de-

veloped and it is being examined now by the Russian Parliament, and hopefully this will correct the situation.

Chairman NUNN. As I understand it, your laws are not sufficient to deal with this. You have all sorts of investigations, criminal enforcement officers, and so forth, but your legal system itself is inadequate. Is that correct?

General YEGOROV. I believe that the legal system requires some adjustment as far as the legislation is concerned, and the Parliament is considering the criminal procedural code and we believe that is our biggest problem that we are attacking now. Perhaps the legislators feel otherwise when they hear us, hear our testimony, but we know that we have our deficiencies and we are trying to correct these ourselves.

Chairman NUNN. A recent story reported that a Member of your Parliament was murdered. Can you tell us anything about that, particularly as to whether that involved organized crime? If I ask you any question involving a pending investigation that you would rather not discuss, then all you have to do is say that and we will respect that.

General YEGOROV. Thank you. Those questions which concern my profession I will certainly answer, and that which is being investigated I can tell you as much as I can.

What concerns the murder of this deputy—the public opinion was very concerned about this. I can say that the investigation is in full swing. All of the facts were considered in Parliament, and I can tell you that many of the details of this murder and those people who were involved in this murder are known to us. I can probably tell you that in the nearest term—well, let me put it this way. We have already arrested a number of people, and I think that very soon you will have a lot of information provided to the mass media of Russia on this case.

Chairman NUNN. General, there was also, I believe, a recent report in May related to the arrest of Major General Shilov of your own criminal investigations department and his son on corruption charges. What can you tell us about that?

General YEGOROV. Yes, I can; I can tell you the following. Approximately for a year now, I have been engaged in my post and Shilov worked in my office; he worked for me. Another section of mine which works with organized crime in Moscow—and this organization was investigating a certain criminal group and we had carried out a phone tap which was sanctioned by our legal system. On the basis of this phone tap, we carried out a search of his apartment and his offices, and all of this was done legally. We had a court order to do this, but the mass media says something else. They claim that the corruption is in the central organization and there will be other cases that will come out. However, I must say that we ourselves found this one criminal and he happened to be a general in our organization, but we investigated him and we will investigate any time we have enough cause to do so.

Chairman NUNN. On the murder of the Member of the Parliament, can you tell us just in general whether you believe that may have been related to organized criminal activity?

General YEGOROV. The fact that it was connected with organized crime, I can say yes. But as far as the motives are concerned, it is too early to talk about that.

Chairman NUNN. General Yegorov, in the June 1994 issue of the Atlantic Monthly, a publication that has just come out in this country, Seymour Hersh reports that last year Russian officials provided American intelligence officers with information about three attempted diversion cases of weapon-grade nuclear materials. I will just ask you about one of those cases, the most significant case.

There was an allegation in this article that 60 kilograms of highly enriched uranium was allegedly seized in April of 1993 by the Russian Ministry of Security approximately 600 miles east of Moscow. Can you comment on that case for us?

General YEGOROV. Well, in order to squelch the problem of dealing large amounts of uranium, I will tell you a little bit of information, and these are facts that have been produced in the course of our investigation. Would you allow me to present these facts to you?

Chairman NUNN. Yes.

General YEGOROV. I have disposed of such statistics from the fall of last year. In October, in the city of Brest, the security services arrested Polish citizens. They were carrying 3 kilograms of U-238 and they were connected with some inhabitants of the Udmurt region. In the course of the investigation, it was established that this material was stolen, and this uranium, based on the specialist's assessment, has alpha radiation which does not have a lot of—it is very weak radiation and, according to them, does not present a great threat to the environment. This material was returned to the State.

In October of 1983 in the Troitsk center, the security forces detained a worker by the name of Smirnov. In the process, it was stated that he was a scientist, and really he was an operator and he had three containers with lead lining and some powdered uranium, 1,538 grams of this. The commission established that he stole this at the rate of 10 to 15 grams at a time in order to make profit on this. According to the experts, this uranium is 238, highly enriched uranium, with the isotope 235 only 40 percent of the total volume, and is not useful in the production of weapons.

In Arzamas 17, there was some uranium that was found on a worker of the station. Actually, there were two other people involved in this, but they simply didn't know where to sell it and when they were attempting to sell it, they were caught. Again, this was not useful for weapons production.

There was another case in 1993. There was an organized crime group that participated in stealing this material. Thirty kilograms were found on these people. According to the experts, this uranium was not suitable for producing nuclear weapons. We suppose that a certain amount, probably a couple of dozen of kilograms, may have found its way across the border into the Ukraine or into Belarus, but we have no firm data on this.

Another case in Moscow; uranium-238 shavings were found. Two people were in possession of this. According to the experts, again, this was uranium-238; it contained 0.32 percent of uranium. Again,

the experts concluded that this material was not suitable for producing weapons.

Again, in October, in the Moscow Oblast region, there were 2 kilograms that were found on another group of people. Again, this involved U-238. Once again, these were simply workers and not scientists. The experts determined that this particular uranium was not suitable for producing any kinds of weapons.

In September of 1990, in Novgorod, there were 9 kilograms of uranium shavings and filings. In that one enterprise, several people have been arrested. Again, the experts studied this material and found that there is no threat here.

In the Udmurt area, there was again an attempt of stealing 150 kilograms of uranium. Five people were detained and are facing charges. The experts again concluded that this was waste material, and they were refined particles and they cannot be utilized without very high technology. Again, this was uranium-238 which was not highly enriched, weak uranium.

Chairman NUNN. General, if I could interrupt you on that particular one, is that the one that was seized about 600 miles east of Moscow in a town called Izhezk?

General YEGOROV. The place is called Izhezk, yes. I mentioned this. Here, 150 kilograms were attempted—there was an attempt of pilferage of this amount of uranium there.

Well, these are the kinds of facts that our Ministry of Internal Affairs is controlling, and these are probably the most serious ones of the cases we recently investigated.

Chairman NUNN. You haven't had any arrests, or you don't have any knowledge of seizures or sales of weapons-grade uranium or plutonium at this time. Is that correct?

General YEGOROV. Well, we have various information. However, these facts and the starting—any facts of this nature or any criminal cases have not been begun involving any nuclear weapons-grade materials. We understand the concern in this area and we are controlling the situation. We have no facts of such cases occurring or any charges being brought to date.

Chairman NUNN. Have there been any cases—and I would ask President Zachert this question, too—have there been any cases that you know of that are now being investigated involving the disappearance of highly enriched uranium material? I am asking about disappearances as opposed to sales. Has there been any disappearance of highly enriched uranium or plutonium that would indicate the possibility of export or smuggling, President Zachert?

President ZACHERT. Yes, indeed. There were offers in connection with which people have talked about such facts, but we have no firm evidence. It always was said that this and that had disappeared here and there. Very frequently, quantities were not mentioned, and equally frequently there were no details to be had on how those substances had disappeared. These are things we got second- and third-hand, but we were not able to verify any of the facts.

Chairman NUNN. Is there any investigation in St. Petersburg now that you know about relating to the disappearance of highly enriched uranium?

President ZACHERT. We have been told that there are ongoing investigations, and that is why we can't really provide any information on these at this time.

Chairman NUNN. President Zachert, are you concerned about the possibility of highly enriched uranium being successfully stolen and sold or smuggled out of the former Soviet Union?

President ZACHERT. Yes, indeed, we are concerned because, as I said at the beginning of my statement, the criminals involved try to make money using anything at all, and they seem to think that this might be a lucrative type of crime. I mentioned that many of the cases involved fraud, fraudulent offers, but I also said that people were in some instances supplying samples of enriched materials and that at some point these criminals might succeed in getting access to weapons-grade material. It's a matter of time, a matter of connection, possibly also a matter of money, the kind of money you have to spend in order to get your hands on that kind of material.

What we have to do is be attentive, pay attention, make every effort to ensure that if such material appears on the market we take it right off, and that is why we depend on cooperation between our intelligence services which, doubtless, have information that we do not yet have because they are protected. But I am convinced that some intelligence services have valuable information that points to such things.

Chairman NUNN. President Zachert, you mentioned, I believe, in your statement, if not in a conversation we had, that you were concerned even about less than weapon-grade material coming into Germany or other countries because of environmental or health dangers. Could you describe your apprehensions in regard to low-grade uranium being transported into your country and what dangers are involved in that?

President ZACHERT. We have to interpret this question in two ways, really. First of all, there is the aspect of the weapons-grade capability of these materials; that is, the military uses. And then there is another component because with radioactive material you have the toxicity effect which you have to bear in mind. It is an enormous danger for the environment when you get highly enriched materials that get into the water or into crowded areas.

That danger is very serious indeed, and that is why we have to bear in mind the health sector in our efforts. As far as health damage is concerned, not only highly enriched uranium but other radioactive material can be dangerous, too. I have a case here where the radioactive material was transported and where somebody put the radioactive cesium into his wallet, and that is what his body looked like afterwards. So you can tell that not only highly enriched uranium can be fatal. The man was close to death.

Let me show you this picture I have here. You can tell from looking at it that even this material is very dangerous to human health, and that is why we should take all of these threats very seriously indeed.¹

Chairman NUNN. I believe you mentioned also that, when people try to sell low-grade fissionable material and find there is no market, you are worried about them discarding that material or simply

¹ See page 82.

throwing it away. Has that happened, or is that simply an apprehension?

President ZACHERT. These cases where disposal was involved could be serious. There is one case which involved somebody disposing improperly of such substances. In cases where we effected seizures, we found that the material had been transported in an utterly unprofessional way. It would have required in most cases leaden lining for the containers to transport that material even if it was low radioactive material, and that never happened. We had one case where we found natural uranium that had been left in a refrigerator on the street in front of a recycling center in Frankfurt. The material was discovered when the refrigerator was to be disposed of. Fortunately no danger for the general public resulted.

Chairman NUNN. President Zachert, could you discuss the significance of the fuel rods which were reported missing from a submarine base in Murmansk? That was reported in the Wall Street Journal, I believe, on May 11, 1994, citing Russian police as saying that this material may have crossed into Norway. Do you know anything about that? I would ask General Yegorov, also, that question.

President ZACHERT. Well, this report reached us through Interpol. However, there were no details regarding quantities and qualities. All we know is that, allegedly, this was highly enriched material. At this time, there are ongoing investigations, so that unfortunately I won't be able to give you any more details on that.

Chairman NUNN. General Yegorov, can you state anything about that particular incident?

General YEGOROV. I can tell you about the fact that in Murmansk a shortage of 800 grams of uranium—and an investigation is underway. There are 800 grams, again, but I should say technological- and civilian-application uranium, not military type. An investigation is underway. I think that we will be working with Mr. Zachert on this, and when we come to definite conclusions we will report on this.

Chairman NUNN. Would that be the same as was related to the missing fuel rods? Are those two different matters or do you believe that is the same matter referred to as missing fuel rods?

General YEGOROV. Well, I mentioned the particular case that I mentioned. It did involve the fuel rods. It is 800 grams. After you asked this question yesterday, I inquired and got these figures of 800 grams.

Chairman NUNN. Senator Roth.

Senator ROTH. Thank you, Mr. Chairman, and let me thank each of you for your very informative testimony. It does seem to me that the one conclusion that comes out from the testimony of all three of you is the critical importance of emerging international organized criminal groups.

General Yegorov, I think you made some recommendations, but looking at the fact that we see international groups emerging of great significance, what steps should governments be taking to promote international cooperation? We have a problem of exchange of intelligence. We have a problem of lack of well-trained international specialists on criminal law. What would you recommend, for example, to Congress and your own respective Parliaments—

what three or four steps could we take that would begin to address this problem and lay the foundation for doing something about it?

General YEGOROV. The first thing that I would like to mention here is organizational questions. In 1991, there was a conference on combating organized crime which was under the sanctions of the UN. Very good recommendations were advanced at that time for the governments and for the operational people, including recommendations for the legislative organizations in various countries. I think that at the present time there is a lack, or perhaps an absence of assessing this situation.

Second, there is an insufficient number of legislative bills that would allow us to work together. We are working simply because we are sympathetic toward each other, but if there is a lack of this level of sympathy, how can we cooperate? So we should have laws that could govern this.

I am a person who is very practical. I can assess each project once we obtain results. I find now that we need to organize joint groups of criminal investigations and law enforcement organizations that would combat international crime, but if we just make these statements and do very little about it, we won't have success. All we will do is subject our citizens to danger of this threat.

The next point I want to raise is the question of obtaining information concerning dirty money. There is a problem of interbanking secrecy and confidentiality, and the access that the criminal law enforcement agencies can obtain. I think that in each country we will face this problem, and certainly in order to work practically, we will need to have personnel and resources. Without this, we won't be able to get much done.

Thank you for your question.

Senator ROTH. Thank you.

President Zachert.

President ZACHERT. Well, I would like to comment on that as well. I am sure you can imagine that given the types of crimes we are dealing with, we are racing against time. The inherent danger that we are dealing with in these cases is such that the governments or the law enforcement agencies are under immense time pressure.

In some cases, we even had to bring in TV stations and we had these TV stations follow the actions being taken by police. That, of course, puts immense pressure for the police because they are acting in the public eye, and the public has a way to assess the professionalism of the police. Since these crimes are really transborder crimes, or are often transborder crimes, what we need is contacts we can get in touch with immediately, routes of communication, immediate exchange of information so one can instantly verify information.

One needs experts who can analyze any intelligence that has been received. Our police aren't able to do that. What we need right at the start is close cooperation of specialized personnel, specialized agencies, and that is something we have to establish and that requires, of course, excellent training, among other things.

Law enforcement agencies must be put in a position where they can have immediate access to any specialists they may need, and in this context one could imagine a very close exchange of liaison

personnel who might be very helpful indeed. Our liaison personnel in Moscow—also, Budapest, Prague, Sofia—have in many of these cases reacted very quickly, getting in touch with local agencies, and thereby enabled us to follow this things up much faster than we would have been able to had we had to fax things because we wouldn't have found the right person that we needed for a particular question.

Therefore, improved communication is crucial, and coordination of points of contact is equally important. These are recommendations that we could implement right away. We have found them to be very helpful where we implemented them in our country.

Thank you.

Senator ROTH. Director Freeh.

Mr. FREEH. Senator, I think my colleagues have pretty well summarized the most important points. One example which I would like to give is we have, as you know, with many countries around the world mutual legal assistance treaties. That is the basic upon which we can effect extraditions, the gathering of this countries in a form admissible in our own courts, and vice versa, and the exchange of witnesses and matters such as that.

We need very much to address that situation, particularly between Russia and the United States, which would give my colleagues there the capacity to remove, for instance, to the United States fugitives by rendition under the authority of a mutual legal assistance treaty. We have found not just in Germany, but particularly in Italy with respect to organized crime cases that is a very essential and basic legal tool to have in place.

The exchange of officers, FBI agents working with the MVD in Moscow, and MVD officers in the United States working with the Federal agencies, is really the basic building block of effective co-operation. If, again, we use Italy as a template, in 1981 we had no regularized police contact, liaison, or mutual assistance treaties with the Italian authorities directly primarily toward organized crime, to the point where our investigations were separately ineffective at times.

Now, we have Italian officers deputized in the United States, for instance, listening to court-authorized wiretaps. We have sent American law enforcement officers to work operationally, including undercover, with the authority of the Italian Government in Italy. The training exchange, the supply of equipment, the interfacing of some equipment, the creation of data bases—in other words, we could use very desperately a European-American data base which would highlight people and groups, even those reported to be trafficking or willing to traffic in nuclear materials. Those are things which we don't have right now easily in hand and which could certainly help and affect our mutual efforts.

Senator ROTH. Let me ask this. Should there be an exchange of information of known international criminals? Do we wait until there is a problem and then exchange information on that? For example, the General has identified something like 295 criminal bosses in Russia. They apparently do direct some criminal activities in the United States. Should there be a data base, an exchange of information, on potential criminals, and should that be done now?

Mr. FREEH. Yes. It is done officially, first of all, in Interpol. Interpol has that capacity.

Senator ROTH. May I ask this, though they may have that capacity, is it being done?

Mr. FREEH. It is being utilized, but let me specifically refer to Russia and the United States. The Ministry of the Interior, through General Yegorov's efforts, has supplied to American law enforcement officials many, many names, including descriptions and biographical data on people whom they have identified as related to or belonging to organized crime. We have used that information in conjunction with the State Department and the INS specifically directed toward immigration and people here who are the subjects of investigation.

What we need to do is take that preliminary step and really format it into a data base that has a lot more breadth and a lot more depth, and one that we would share with our colleagues around the world for law enforcement purposes, setting specific standards for the inclusion of names and information in that data base. Those are the things that we need to do better and that have only been done on a very informal basis to date.

Senator ROTH. Would it help to have some kind of international conference? I know we do a lot of things in a bilateral way, but would it help to have an international conference trying to work cooperatively and develop the techniques and means of addressing this problem?

Mr. FREEH. Yes. I think that would be ideal. One of the purposes of our trip later next month will be to establish some working groups with the Eastern European police forces, the Russians, the Germans, the Poles, the Ukrainians, to set up what we set up in 1981 vis-a-vis Italy and the United States and some other countries. So I think the conference would not be anything but very helpful.

Senator ROTH. Hasn't one of our first techniques been to identify the potential criminals in our dealing with organized crime here? Wouldn't it make sense to do this internationally?

Mr. FREEH. Yes, it would make absolutely good sense.

Senator ROTH. To what extent are the activities of Russian organized crime groups within the United States actually directed from Russia?

Mr. FREEH. We have seen a number of varieties. I have prepared for the Senate a chart which sketches the types of criminal activity that we have identified specifically with either associates of Russian organized crime groups or members themselves.¹

Chairman NUNN. Let's get them to put that chart up there, if we could.

Mr. FREEH. Yes, certainly. We find primarily, and with increasing frequency, fraud cases in the health fraud area, in tax evasion, in bank fraud, have been increasing at a fairly dramatic rate. With respect to other racketeering type crimes, we see great increases particularly in the areas of the country as reflected on our other map exhibit where large ethnic Russian populations exist—the widespread increase now of violent types of crime more akin to tra-

¹ See pp. 83-86.

ditional organized crime activities—murder, racketeering, extortion, kidnapping cases.

In some instances, we have documented individuals traveling back and forth from Russia for purposes of contract murders, and the transmission of large amounts of dollar profits from all of these schemes back to Russia, going through money laundering processes and then returning here. So we see a marked and dramatic increase in those activities directly connected to members of some of the Russian groups, of which the General described over 100 operating outside of Russia.

Senator ROTH. General, the criminal groups in Russia—when they work in other countries, do they work primarily with other Russians or do they work with other criminal elements? For example, in the case of Asia, we have found that often they work with different groups from time to time and not necessarily with people from their own country. Do you have any experience in that?

General YEGOROV. I can say whoever it is more profitable to work with. Of course, they initially work with their own ethnic groups who came to the United States, let's say, at some earlier date, and that is the initial contact, but they do work with whoever is more profitable.

I would like to say that we really do have a lack of information of sharing this intelligence data. We are working together, I think, on only 40 ongoing investigations. These are in different cities here in the United States and in Russia as well. This kind of cooperation is underway. We started this last year and we were able to solve a rather large group that has been operating in Russia and in the United States. Now, this year, we have been able to get a hold of five other groups that have been operating in both countries.

Senator ROTH. We have heard reports that Russian organized crime groups extort money from Russians waiting on line at the U.S. embassy in Moscow to obtain U.S. visas. Is that a problem, and if so what are you trying to do about that? Are you familiar with that complaint?

General YEGOROV. No, I don't know of such complaints that anyone would pay bribe money to get visas. We have investigated other embassies and we do have some criminal investigations that are underway with regard to visas going to other countries, but not with the United States.

Senator ROTH. If you were going to list in importance the areas of criminal activity, that is, nuclear weapons and material, other weapons, drugs, money laundering—which of these are the most important activities to the criminal groups in Russia?

General YEGOROV. Well, considering the very unique condition of our country, I would say that in the first place of this list of priorities would be financial operations involving laundering of money, the penetration of these criminals groups into the economy of our country.

The second place would be held by, I would say, violent crimes, the whole complex of violent crimes. The third place would be taken up by narcotics, and fourth place in this priority list would be the concern around and surrounding radioactive materials. This is the priority list that I would offer you.

Senator ROTH. That is all the questions I have. Thank you, Mr. Chairman.

Chairman NUNN. Thank you. Let me ask one followup to Director Freeh and then I will yield to Senator Cohen. I asked President Zachert about ongoing investigations of missing highly enriched or weapons-grade uranium. Could you give us your answer on that? We have heard particularly about an investigation underway relating to missing uranium in St. Petersburg. What can you tell us about that?

Mr. FREEH. Senator, my information on that is that there is, particularly via an Interpol message and alert, a report of a missing amount of what would be enriched uranium-235 located in the St. Petersburg area—a relatively small amount, 2 kilograms, as opposed to the much, much larger amounts talked about in terms of nonweapons-grade material. That is the subject of several international investigations, as I understand it, and obviously a case quite important to all the countries involved.

Chairman NUNN. Would that be weapons-grade material that we are concerned about?

Mr. FREEH. My understanding is it would be enriched to a weapons-grade level, that is correct.

Chairman NUNN. You know, we have different kinds of missing materials. Are these suspicious circumstances relating to this?

Mr. FREEH. I don't know enough about the underlying circumstances, but the fact that that amount would be missing is suspicious enough to policemen around the world that it is the focus of a lot of attention and investigation.

Chairman NUNN. Senator Roth.

Senator ROTH. Director Freeh, in your statement you said that Russian organized crime groups are rapidly networking with other organized crime groups such as La Cosa Nostra and Asian and Colombian criminal organizations. In addition to working with La Cosa Nostra in gas tax fraud, what evidence does the FBI have of ties between Russian organized crime and La Cosa Nostra? What evidence do we also have regarding ties between Russian and Asian organized crime groups?

Mr. FREEH. With respect to connections, again, in the form of prosecutions relating organized crime in the United States to Russian groups, there are two fairly alarming cases. One was a case primarily worked by the Drug Enforcement Administration in New York, prosecuted in Federal court in Manhattan, where a fairly large conspiracy regarding heroin trafficking was joined in by members of La Cosa Nostra and members of Russian organized crime groups, which shows their willingness and ability to joint-venture with respect to narcotics trafficking.

There is another case which I mentioned earlier which showed a very strong connection between one of the Colombian cocaine cartels and Russian organized crime groups where an importation of a large amount of cocaine into Russia was interdicted by General Yegorov and his forces.

We have not seen—at least I have not seen any strong evidence of connections between Russian groups and Asian groups, nor have we seen connections between terrorist groups and organized crime groups in Russia. The principle, however, and the well-known law

enforcement truism is that criminal groups, no matter what their ethnic derivation, will always joint-venture and associate for purposes of criminal activities where they make profits, which means that these are not, in my view, aberrant alliances or conspiracies.

Senator ROTH. Thank you, Mr. Chairman.

Chairman NUNN. Senator Cohen.

Senator COHEN. Thank you, Mr. Chairman. If I could follow up on that, Director Freeh, I noticed on the chart that we have in front of us here about significant crimes in Eurasian criminal enterprises, as you go down the list there is one about three-quarters of the way down, "Illegal Gambling Business." Then if you look over at that chart, you see the red dots. The closest one, I suppose, would be Newark, New Jersey, where one might expect to find gambling activities.

Is it your judgment that organized crime right here in the United States would be willing to co-venture with organized crime elements in Russia and throughout Eurasia in existing gaming operations, or is that something that would be discouraged by the families controlling such operations here in the United States?

Mr. FREEH. Senator Cohen, my experience in that regard would be that that would not be amenable to co-venture. Probably, what would happen is you would see organized gambling activity perhaps in the Russia American population controlled, supervised and profited only by Russian organized crime groups, and other coexistent gambling operations being controlled by other groups. I don't think that is the type of enterprise that they would joint-venture on. I think things like prostitution and some of other types of crimes would be similar.

I think, however, when we talk about drug trafficking, and particularly money laundering and fraud schemes and those types of activities, including contract murders, that is where we have seen the traditional alliances and fluidity between the different groups.

Senator COHEN. Well, one of the followup questions I have is do you have any evidence that Russian organized crime groups are looking to purchase one or more American casinos, and I would add especially casinos on Indian lands?

Mr. FREEH. I have no information with respect to that at this time, no.

Senator COHEN. General Yegorov, how confident are you that authorities know exactly how many nuclear weapons there are in Russia—I would include within that strategic, but more importantly tactical weapons—and how much fissionable material currently is stored within Russia itself? How confident are you that the Russian authorities, one, know how much there is, and two, have adequate control and supervision over the existing stockpiles?

General YEGOROV. I cannot answer your question because I simply don't know. I am involved in those cases where a crime has been committed. Overall organizational questions rest with certain circles and this is not in the range of my activities.

Senator COHEN. Is this information that would be important not only for Russian authorities, but for U.S. authorities? The Director has indicated we are going to be setting up a post in Moscow to work jointly on these issues, and one of the issues that we seem to be most concerned with right now is whether or not organized

crime in Russia is going to gain access to materials that could be used for either nuclear blackmail or terrorist activities.

So I would assume that it would be very important for both American and Russian authorities to somehow try to identify, categorize, and calculate how much nuclear material is in the former Soviet Union and Russia, what kind of control mechanisms exist, and how vulnerable are the sites to either having material stolen or sold or subverted or removed.

I assume that, Director Freeh, you would think that would be important.

Mr. FREEH. I think that would be very important in terms of not just a working and operational intelligence base, but also an ability to focus on the areas which are most vulnerable, again, within the limitations and authority of the police forces.

Senator COHEN. One of the problems that we have is that it is a so-called national security problem. There have been proposals in the past which have been rejected that perhaps there be some kind of a joint program to find, to identify, and then tag all of the nuclear materials in Russia, and some have suggested America as well. This element of reciprocity has been rejected by the United States under the theory that the Cold War is over and there is no need to reward anyone with access to U.S. stockpiles.

What do you think our position ought to be in terms of is the threat serious enough that we should reconsider such a joint program of identifying, tagging and sharing that information, or do our national security interests outweigh such a potential threat?

Mr. FREEH. This sounds like an issue above my pay grade. [Laughter.]

Senator COHEN. I just thought I would throw it out there anyway for you.

Mr. FREEH. What I would say from a law enforcement point of view is that the basic building block of any effective law enforcement is information. Some people call it intelligence, some call it evidence, but generically it is that information. It seems to me critical that to have any credible law enforcement activity directed toward securing nuclear weapons or nuclear materials that information relating to quantity, location, access and security is as much a law enforcement issue as it is a national security issue.

How that bridge gets made and what precautions and what policies are at work are certainly things that need to be worked out, but from a law enforcement point of view I can't see anything more important than having that type of data and information so that I, General Yegorov and President Zachert know where to focus our very scarce resources in terms of investigations.

Senator COHEN. The CIA has testified that they have only, I would say, highly unreliable guesstimates at this point that there are roughly 30,000 nuclear weapons, strategic and tactical, in the former Soviet Union, give or take 5,000 warheads. That is about the best guess we can make at this time, and that really doesn't even deal with the fissionable material that is in existence, which is in terms of hundreds of tons. So I think it is an issue we have to focus on in terms of whether we are going to deal with as a potential law enforcement problem or another facet of national secu-

urity in the sense that some of this material ending up in the wrong hands could pose great threats to world stability.

You mentioned earlier, Director Freeh, health care fraud. There is a hearing taking place in the Judiciary Committee this afternoon about health care fraud, and I was just curious about what sort of health care fraud these criminal enterprises are undertaking in this country.

Mr. FREEH. There are several cases, Senator Cohen. One, in particular, which we developed we called the rolling labs case. There was a group of defendants, subsequently prosecuted, who operated a string of clinics, approximately 200 of them, which advertised, among other things, free examinations. The billings with respect to the operation of those clinics reached approximately \$1 billion in terms of sales.

The main subject was identified as associated with Russian organized crime. The actual fraud value was approximately \$50 million in terms of Federal monies and supported entitlements which were the subject of the fraud. Most of that money, as far as we could determine, was then put into a money laundering process, leaving the country, returning for investment in other health fraud-related types of activities.

We found that among the Russian organized crime associates here that that, together with gasoline tax fraud schemes, is very prevalent, and they are very adept at it. They showed a very high degree of sophistication with respect to financial crimes and tax fraud, unlike, I might add, the early criminal activities of the other organized crime groups that we have seen here in the United States over the years, which makes this group particularly important in terms of a target.

Senator COHEN. General Yegorov, could I ask you whether you are familiar with the case of Michael Desaro, the young man who was murdered in Moscow back in, as I recall, November of 1993? Are you familiar with that case?

General YEGOROV. In Leningrad, or St. Petersburg?

Senator COHEN. I believe it was Moscow.

General YEGOROV. Yes, I know of this case. I know of three cases that occurred in 1993. Twice, there were hostages taken. Some Americans were then freed up. That was one case; another case of racketeering endorsement; and the third one was the murder. All questions that were directed to us we fulfilled, and we have identified the criminals and they have been found.

Senator COHEN. Actually, according to the article that the Chairman referred to in his initial remarks by Sy Hersh, the young man was murdered in Moscow, and the reason I raise the question is it appeared to have been a brutal murder. The initial reaction of the Moscow police was one where they refused to rule out that the cause of death was a heart attack. This raises a couple of questions in my mind.

No. 1, are American diplomats or businessmen being specifically targeted? No. 2, are the police being overly cautious in suggesting it could have been a heart attack, or overly corrupt?

General YEGOROV. I think, of course, there are some corruptions when they get some benefits. The statistics are such that, let's say, the murder of one foreigner does take place, let's say, and we are

responsible to investigate this. That was a very careful approach by the police, and when we had requests—when MVD was requested to give information, we have given all the information that was requested of us.

Senator COHEN. Well, I won't take the time to pursue that particular case any further. However, it seems to me that the way in which that matter was handled gives some pause or some cause for concern on the part of Americans who might be either eager to travel or do business within Russia if they are going to be targeted.

I know that your country has not been dealing with polls a great deal, as ours has over the years, but there was a recent poll of Russian urban dwellers and it found that 23 percent thought that organized crime wielded the real power in Russia. Only 14 percent said President Yeltsin and the Government did, and 22 percent believed that no one really was in charge and no one exercised real authority in society.

The question I would have is, from your perspective, do the Russian people have an exaggerated view of what is taking place within the country? Are they out of touch with reality? Is their fear greater than the facts?

General YEGOROV. Of course, in accordance with the Presidential decree, I am responsible for questions dealing with corruption, including within all the different agencies. If I am going to speak specifically to your question, it all depends on where this poll was taken. Was it in Moscow or Leningrad? You will have a different answers from Novgorod or other cities.

We are concerned about crime in 15 cities—Moscow, St. Petersburg, Yaroslav, Vladivostok—actually, there are four major cities that concern us. The picture in the smaller cities or in other cities is somewhat different, so your poll would really depend on where it was taken. You would get different results depending on where it was taken, so it is very difficult to assess the results.

I have many meetings with the people, as such, and the information I get is that it is much more dangerous to live in cities like Moscow and St. Petersburg, especially when it deals with organized crime. There are 20 million people living, let's say, in the Moscow Oblast, and it is easy for a criminal to get lost, and I must say that the people are concerned, but our law enforcement authorities have adjusted somewhat to the new conditions and I am more optimistic these days that we will be able to combat this.

Last year, I was not of that opinion, perhaps, but we have had some positive results this year in our work as a whole, and also I think the population in general is more careful in the way they behave themselves. We had very few criminal cases in the past, as you well know; 2,800,000—this is what happened in the last few years. It rose literally 2½ times, and we are becoming more accustomed to the situation and are beginning to work within the new conditions.

Thank you for your question.

Senator COHEN. I think you would find the same kind of divergence—if you take a poll in Mississippi or Maine, or maybe even Georgia—in this country as well.

One final question, if I might, Mr. Chairman, and I would direct this to Director Freeh and to President Zachert. My understanding

is that the production of anti-Semitic and Nazi literature is prohibited or illegal in Germany itself, but such production of that kind of literature is protected under the First Amendment here in this country. Apparently with organized criminal activity also involves the promotion and distribution of neo-Nazi and anti-Semitic materials even in Germany today.

I was wondering whether or not, Director Freeh, you have been able to work in any kind of a cooperative fashion with your counterparts in Germany to try to resolve the dilemma of how the United States can prohibit perhaps the sale, or impede the sale of such materials going into other countries, and whether or not there is a link between the neo-Nazi groups and those who are promoting such hatred in literature and their involvement with organized crime.

Mr. FREEH. We have had a series of discussions with respect to this issue. President Zachert and I and our agencies have exchanged formally information with respect to subjects of interest in both countries who are involved in the export of hate literature, with the following proviso. As you well point out, the production of hate literature, as vile as it is, and its exportation from the United States, except with some very exceptional circumstances, is not the basis either of a criminal prosecution or a criminal investigation.

What we have asked our colleagues in the BKA to supply and what they supplied is leads and evidence which would show that these people, in addition to their organized hate activity, were also engaging in any violations of either United States law or German law which would be the subject of an extradition for a prosecution in the United States. We have done that. There is one very high-profile case which is under investigation, so I can't identify it, that we are following up based on leads and evidence received from the German authorities.

I have not been aware—and perhaps my colleague can comment on this—of a documented connection between people involved in such hate crimes and organized crime, but that may be an area I am just not familiar with and it may be related more to Germany.

President ZACHERT. This is a very difficult problem. There is an individual in the United States, Gary Lauck, who produces such literature, and he produces a magazine called "NS—Kampfaufbruch." There is a circulation of 20,000 presently, and he sells this magazine, this publication, in Germany.

We have neo-Nazi circles in Germany, and we found this magazine there and this definitely calls for a hate campaign of the most despicable nature. Repeatedly, together with our American colleagues, we tried to interrupt the import of this hate material, but as my colleague Freeh already said, you do not have the legal possibility to prosecute in such cases, so that presently this import into the Federal Republic continues.

We have a court proceeding going on in Hamburg and the court is basically working on a request for legal assistance addressed to the United States in order to prevent this material from being imported into the Federal Republic. Now, for 15 years this has been going on, and that shows you for how long we have been unhappy about this.

Senator COHEN. Thank you, Mr. Chairman.

Chairman NUNN. Senator Cochran.

Senator COCHRAN. Mr. Chairman, thank you very much. Let me just, first of all, say how grateful we are for your presence here. I think the fact that Mr. Zachert and Mr. Yegorov are here helping us inquire and learn more about these issues of very serious mutual concern is a very strong statement about the new relationship that is developing between former adversaries, and it is very encouraging to me as a Member of the Senate to see this strong statement and evidence that we are observing this morning of a newer and healthier relationship developing between our country and the Commonwealth of Independent States, specifically Russia. The willingness to come here and talk about these problems, I think, is a very important new development and one that is genuinely welcomed and appreciated very deeply here in our country.

The morning paper has a story about the fact that there is a willingness in Russia to join in this new partnership for peace initiative which the North Atlantic Treaty Organization has extended to the Eastern European countries and the Commonwealth of Independent States to try to help develop a better framework for cooperation and stability. That is as encouraging to me as the presence of here today of our witnesses and the discussion we are having.

I can ask this to Mr. Yegorov. In connection with this new effort to define a relationship of cooperation in law enforcement, I wonder if there have been any particular problems that you have observed that need to be brought to the attention of the Congress here that would help stimulate cooperation and understanding of how we can work better together in dealing with problems of international organized crime.

General YEGOROV. Well, I can say that the very first question is one of a legal basis. We really do not have an agreement between our two countries to provide assistance in civilian or criminal cases. Mr. Freeh and I have worked together because we know each other personally and we have a personal relationship, but as far as some kind of an official document, one simply doesn't exist, and we need to solve this organizational question. A number of your Senators will be visiting Russia. I think that these questions should be raised there.

Another point here, and a problem which we should solve together, is that our specialists should know each other more and should develop trust toward one another. These languages would be studied and would be known to each of our agencies; I think that is an important direction for our joint work. Also, I would like to talk about the establishment of joint Russian-American groups to identify criminal groups and investigate them, and do it in such a way that we would not violate the national laws of each other.

I would like to say that if you personally work in a joint group like that, there is very little that can actively be done. What we need to do is to work professionally and to allow our people to live in peace and safety. These are the considerations that I wanted to express.

Senator COCHRAN. Thank you very much. I wonder if Mr. Zachert would have a reaction to that question. I know he mentioned, for example, the difficulty of having translators and other

technical abilities to cope with the emerging ethnic and other organized groups in the international crime area in Germany.

President ZACHERT. Well, we have had a number of cases involving Chechen or Ukrainian or Georgian gangs. Especially, these were active in the Berlin and Munich areas and they did commit murders involving exiled Russians, Russians living in exile. In those instances, it was very, very difficult to get insights based on telephone communications and to discover what these people had in mind and what they were planning merely based on tapping their phones.

A great deal of technical effort is required if one wants to break up these ethnic groups. It is important, therefore, to resolve the interpreter problem, and it is important to be able to use informers, undercover agents, in such instances. In that sense, it is indeed necessary to have very close cooperative ties with the countries of origin, with the law enforcement agencies in those countries, so as to ensure that those countries support one directly in one's investigations because without their support we can't really accomplish very much.

That is why the Federal Republic of Germany has time and again pushed for bilateral cooperation in the area of organized crime, and the Federal Government has, in fact, focused its efforts on bilateral agreements with the Eastern and Central European states. I mentioned some of those agreements which have already been concluded. Others are being prepared, and we place a great deal of emphasis on close cooperation with those states.

Thank you.

Senator COCHRAN. Mr. Freeh, what is your view about how we can strengthen the legal basis for cooperation between our respective countries in this effort?

Mr. FREEH. I think what is under discussion now, Senator, is the formalization of a mutual assistance treaty for law enforcement which, as I said before, is really the essential vehicle for transmitting evidence, witnesses and information that can be used in the somewhat divergent legal systems for purposes of prosecution.

I think my colleagues make really the essential point. What good police rely upon not only around the world, but from community to community, is the established trust and confidence that the police officers have with one another, and that is really, I think, the essential point here. Obviously, there is a need for international treaties on proliferation and World Bank loans. All countries have somewhat divergent intelligence interests and intelligence services, but what we need here is a basic police-to-police bridge, a cop-to-cop contact, where, putting all the other issues aside, we can help support in each other's countries the effective rule of law because if civil order is lost in any country—and President Yeltsin has remarked about this fact in Russia—all the economic aid and all the antiproliferation treaties and all of the efforts being put into the maintenance of that new, emerging system will be for naught if the civil order is lost on the streets, and that is where we need to concentrate our expertise and our efforts.

Senator COCHRAN. The Chairman asked Mr. Yegorov a question about the deficiencies or inadequacies of the criminal justice system in Russia and the problem that that might pose to law enforce-

ment efforts there. Do you have any suggestions to make about ways in which we can strengthen our own criminal justice system?

We have a crime bill that is in conference right now. Many people are talking about how it is going to address some serious problems. I have the view that a lot of that is political posturing that is in that bill and we are not really going to do much if we pass it.

What are some of your suggestions, if you have any, about what we could do as a Congress to help strengthen the legal system here as it relates to international criminal activity here in the United States?

Mr. FREEH. With respect to international activity, I think a great emphasis in training and sharing our technology and equipment for law enforcement purposes is really critical. We don't have, for instance, in the FBI any line budget items for international training. However, we do train thousands of State and local and foreign officers in Quantico every year.

Our training budget has been decreased over time because of other pressures on the budget, in addition to losing personnel. I think what has to happen effectively in terms of international law enforcement and the credibility of our efforts overseas is to maintain and really enhance our ability and the ability of DEA and the other expert Federal agencies to offer training personnel on location, cooperation and exchange of officers.

There is no funding for that, as I understand it, at least in the current budgets which are being discussed. I think that is the area where we can offer our greatest support. Just like we offer our Federal law enforcement support to the State and local officers, we would like to do the same thing and have the same menu available for Russian officers and Polish officers when they want it and when they need it. That is the essential area that I don't think has been adequately addressed for funding purposes.

Senator COCHRAN. Mr. Yegorov, I wonder if you could tell us if you have any evidence of the organized criminal element in Russia moving to take control of any elements of the nuclear arsenal in Russia.

General YEGOROV. No, sir, I have no such information. The Ministry of Internal Affairs does not have information of this kind. I did mention earlier in my statement that this was so. Thank you for your question.

Senator COCHRAN. Is there any evidence, Mr. Zachert, available to you that organized criminal elements are moving to take control of any nuclear arsenal anywhere in your part of the world?

President ZACHERT. No, there are no such indications. There is no evidence. In terms of the cases we have been looking at in the past, it has become apparent that organized crime went beyond country borders, had connections with other countries. For instance, Polish couriers would have a Russian go-between from whom they took material, which they then brought to the Federal Republic and passed it on subsequently to Switzerland or Budapest. That does show that we are talking here about international gangs which maintain and are building connections of this kind, and that means that our response must be organized as well because these people are clearly organized.

But we cannot at this point say whether that gang we were talking about was just an ad hoc kind of a thing or whether it was a well-established gang and a well-established structure. That is something we really don't have any firm evidence on at this point.

But to come back to your original question you asked me, let me say in this context I would really like to support what Director Freeh said. We do need a security partnership with the countries in question; the countries, that is, that have accessible nuclear material. On the basis of such a security partnership, we would be able to get immediate support from those countries in cases where such gangs are established.

If we have such links and something happened, say, in Budapest, it would be most helpful for us to have a Hungarian colleague to evaluate things because often the leads points to criminal gangs which are known in the country of origin, not in our country. Then when we get that information, we can often tell that something is not really an international crime, but rather is something limited to a local group, and that sometimes lets off some of the pressure. Those kinds of things are very important to us, indeed.

Senator COCHRAN. Thank you very much. My last question of each witness is whether you know of any successful prosecutions or convictions of any persons involved in any nuclear criminal activity.

Mr. Zachert.

President ZACHERT. Individual cases is what you are talking about. Yes, there have been very recent individual cases. The sentences were relatively lenient, ranging from 2 years 9 months to 1 year, simply because there was no real concrete endangerment. There simply wasn't enough of a danger which would have been caused if weapons-grade material had been involved. So these were attempts, and therefore the lenient sentences.

Mr. FREEH. Senator, I don't know of any convictions. In fact, it is our good fortune that if you look in title 18 of the U.S. Code, there is a section, 831, which gives the Federal Bureau of Investigation authority to investigate these cases. Luckily, and perhaps it is only a matter of luck, there is nothing in the annotations and there are no cases where we can document a criminal prosecution resulting in a conviction.

I don't think that gives us a lot of comfort, however, given the ability and certainly the predisposition of any group, particularly organized crime groups, to profit from dealing in anything, whether it be human lives or nuclear materials.

Senator COCHRAN. Mr. Yegorov.

General YEGOROV. Yes, we did have a certain number of cases, and there was quite a difference in terms of range of the costs involved, potential costs. We did, however, did deal simply with non-military-grade uranium. Such cases were handled by the courts in Russia successfully.

Senator COCHRAN. Thank you, Mr. Chairman.

Chairman NUNN. I will turn to Senator Lieberman now, but I want to give all of you a chance to take a break if you need to. We don't want to turn this into an international contest of who can sit there the longest without a break. If you need a break, we will take one. If not, we will go to Senator Lieberman.

Senator LIEBERMAN. I won't take it personally if you decide you want to take a break.

Mr. FREEH. I think we are all right, Senator.

Chairman NUNN. I think we are having a contest. I don't know. [Laughter.]

Senator Lieberman.

Senator LIEBERMAN. Thank you, Mr. Chairman, and thank you, Mr. Chairman, for your leadership in bringing this hearing together.

I did want to thank our witnesses from abroad for taking the time to be here, and thank Director Freeh for his involvement in this. I think you are off to a great start as the Director of the FBI, and this involvement in international organized crime is just a measure of the steps forward that you are taking. I appreciate it very much.

General Yegorov, we have talked about the growing influence of organized crime in Russia, and I know that there was reference made earlier to a poll asking about different centers of power and organized crime came out pretty high. In Russia at this moment, going through a very difficult transition from centralized communist authoritarian government to a democratic society, there is bound to be a period of uncertainty when different groups vie for power and until there is some stability, and particularly economic stability, in which people see their lives getting better.

In that context, when you have an organized crime group doing very well, taking advantage of the transition, the question that comes to my mind is whether the organized crime elements will inevitably try to get involved in politics; in other words, to take their power and money and begin to influence political decisions.

This doesn't only happen in new democracies like Russia. It has happened in different cases here in the United States with attempts to corrupt over the years public officials. There is a major investigation going on now, ongoing, in a great Western democracy in Italy about the interaction between organized crime and figures in the government.

My question to you is whether there is any evidence at this point of attempts by Russian organized crime to infiltrate the political system of Russia.

General YEGOROV. I can simply say that we do not exclude such possibilities, the possibility of the fact that some organized crime boss may head some regional government or the central government. We do not exclude such a possibility, per se, but any proof, any evidence, for the time being—we still haven't got such a linkage in any criminal investigation, but thank you for your question.

Senator LIEBERMAN. Let me pursue that in two separate questions just to clarify. So at this point you have no evidence of a systematic attempt by organized crime to, for instance, bribe public officials to obtain favorable rulings, or to stop law enforcement against organized criminal activities?

General YEGOROV. We have proof on the level of the republics and the oblasts; that is, the administration of the smaller regions. At the present time, a criminal investigation is underway in the Vladimir District. At the present time, we have arrested the chief of the antitrust or antimonopoly agency in the Komi Republic, and

there are several criminal cases that have been published very broadly in Russia. This involved the corruption of the mayor of Vladivostok. That is approximately the level of activity. As far as any criminal activities at a higher governmental level that would involve organized crime, no, we have had no cases like that.

Senator LIEBERMAN. I appreciate the answer. Let me go to one final question on this. I noted that you said in response to my first question that in terms of organized crime figures in Russia actually trying to seize control of a government no evidence of that, but you wouldn't exclude that, and let me just repeat to you something that somebody else said to me about this problem, which is that in Russia today, with the power centers so uncertain, with it not clear—of course, President Yeltsin has the most power, we hope, but we have been talking about the possibility, for instance, of criminal elements grabbing hold of some of the nuclear material, the radioactive material.

Somebody said to me, with all the power that Russian organized crime has, isn't it logical that they might try to seize the entire Government; that is to say, to either run a candidate for high office, for President, or essentially to form a joint venture, a partnership, with a candidate for high office, and in that sense to take control of the apparatus of Government, including the military and including the nuclear weapons supply. I suppose my question is, can you imagine such a thing?

General YEGOROV. Well, you see, I firmly believe that something like that will not occur. I don't exclude the possibility that certain individuals may attempt to do something like that, but I don't think realistically something can happen on such a large scale as you describe; perhaps certain individuals may.

I don't know if I am being clear enough. I can't understand your reaction. Do you understand what I am saying?

Senator LIEBERMAN. Yes, I think I do. So if I understand you correctly, you can imagine a given individual in organized crime who might run for office at some point, but the possibility that an organized criminal family or enterprise would take over the Government is hard for you to imagine.

General YEGOROV. Yes, it is hard to imagine, even though I live in this very unrestful country. Nevertheless, I can't say that we have the entire Mafia under control, but we are watching and seeing what they are doing and we are following them. We are observing what activities they are engaged in. It is quite a different question when we say we don't have the know-how or don't have the proper legal base to imprison the crime bosses, but we are observing them, we are watching what they are doing. I can only tell you this on the basis of the information that I possess.

Senator LIEBERMAN. Thank you. I appreciate that. Mr. Chairman, just one last question to Director Freeh. We have concentrated this morning in large measure on what is happening abroad. Although I have heard your opening statement and seen some references, I wonder if you would want to say anything more about the extent to which international organized criminal activity affects law enforcement here in this country. In other words, how much is international organized crime part of America's crime problem today?

Mr. FREEH. I think it is probably the most significant part with respect to the crimes that not only give us the most difficulty investigating, but also have the greatest impact. I mean, just take drug trafficking, for example. Without organized criminal activity, obviously, importation of any significant amounts of narcotics into the United States would be minuscule in comparison to the tons that we experience now.

Whether we are talking about African groups or Italian groups, South American groups, Eurasian groups, those particular types of crime, international drug trafficking, at least on the importation level, are strictly the domain of organized crime. That is why there is such violence and control perpetuated on that activity.

The impact, obviously, also of that crime, narcotics trafficking, on the streets of America is immediate and devastating. Most of the violent crime we experience in the country is the result of drug usage, drug distribution, and the crimes related to those activities. So if you just take the single area of international narcotics trafficking, which requires by its nature organized crime operations, that is the lion's share of what we do in the United States not just federally, but on a State and local basis.

There are other areas of crime which I think merit a lot of that attention, too, but probably all are dwarfed by the scope and impact of organized crime in drug trafficking.

Senator LIEBERMAN. How about the impact at this point of Russian organized crime on America's crime problem? How would you rate that?

Mr. FREEH. I think it is very significant. What is more alarming is the trend which we see. We have doubled and tripled and quadrupled the number of cases even in the New York division addressed toward Russian organized crime members or associates operating not just in New York, but with the support, criminal, financial and organizational, from groups back in Russia, and the mobility of the leaders between the two countries, the scope of the money laundering, the liaison now that we see more and more with other organized crime groups.

It is a trend that mirrors very closely what we saw here in the 1920's and the 1930's with respect to Italian-American crime, which is still a problem. But our commitment at this point is not to fall far behind as we did once before, and that is really the purpose behind what we are trying to accomplish here.

Senator LIEBERMAN. I appreciate it. Thank you. Thank you, Mr. Chairman.

Chairman NUNN. Thank you, Senator Lieberman.

Let me just wrap this up with just a few other questions, but I think these particularly need to be asked.

President Zachert, in your statement you cite insufficient security measures—I will put that in quotes, your words, “insufficient security measures”—as contributing to the illegal availability of radioactive material. Can you give us an example or two of what you mean by “insufficient security measures?”

President ZACHERT. These were statements made by the offenders themselves who claimed to have access, and based on these claims we concluded that they might perhaps indeed have connections, contacts, which could be such that our security precautions

might not be adequate. But we are talking about allegations here, claims made by perpetrators, and we cannot verify those at this time. So, to date, these are statements that have not been proven, statements that were made by criminals, and they might well be true or they might not. We have no way of telling at this point.

My colleague has been giving me another indication of when we seize material, we have in some instances discovered wrapping material, for instance, which was quite professional, material bearing cyrillic letters, so that at least as far as the origin was concerned we were able to conclude that this stuff came from stockpiles where security precautions are being taken. These are not things that you find on the free market, and that has led us to conclude that they must have had some access to some kind of a protected environment. These are facts which have led us to come up with a criminal hypothesis for our work.

Chairman NUNN. Let me ask each of you this question. General Yegorov referred to 4,000 individuals with ties to criminal structures in some 29 other countries. Press accounts have referred to meetings in Berlin, Moscow, Warsaw, and so forth, where Russian Mafia leaders have had what we would call sit-downs or actual meetings with members of Italian and Colombian organized crime groups.

Can any of you tell us whether you know about those meetings, and could you describe them? Do we really know that or is that something that we are speculating on at this point? I will start with the General. Do we know about sit-down meetings?

General YEGOROV. I can tell you specifically about such Russian meetings, the criminal leaders whom we are watching. As far as such international meetings are concerned, there were such publications in the press of Poland and Czechoslovakia, and all those publications—we have investigated these reports by asking Interpol, but we received no positive response. We are also using the same information at hand, the same articles, but this has not been corroborated by the police of those particular states.

Mr. FREEH. Senator, I don't know that I have any better information regarding those reports. However, with the document that infers not just La Cosa Nostra groups working with Russian groups, but also the cocaine cartels, we just know from our expertise and our knowledge that those are not unapproved ventures; that in order for joint ventures of that scale to be undertaken, particularly on an international basis, not just the immediate bosses and supervisors, but much higher-ups, particularly in the more vertical hierarchy of the Colombian cartels and the La Cosa Nostra groups, would have to approve and at least at some point make some contacts, financial and otherwise, with their counterparts. So I think that is a fair inference to be drawn.

As to those documented meetings which have been the subject of the reports, I don't have any better information than my colleague here. Perhaps President Zachert does.

Chairman NUNN. President Zachert.

President ZACHERT. Well, there are a number of uncorroborated leads regarding contacts in the new German states between Italian and Russian organized crime groups. To date, we have not been

able to corroborate them. These were largely claims or allegations or intelligence from the intelligence agencies.

We also have heard of connections between Italian and Czech criminals. However, when we checked that with the Czech authorities, we didn't get any response. Our response is still pending, but there were allegations about such meetings as well.

There is one case which proves without any doubt that Russian and South American cocaine cartels were cooperating. This was a case that involved St. Petersburg in 1992. One ton of cocaine was seized, and in the process we found certain routes which led to the Netherlands, among other things; over quite a distance, in other words. So, that is one concrete case where we know about cooperation between Russians and the Colombian cocaine cartels.

Chairman NUNN. Thank you. Let me ask all three of you another question, and that is whether we have any evidence that there are connections being built between organized criminal elements in Russia, but not limited to Russia, and terrorist groups.

Mr. FREEH. Mr. Chairman, I have not, again, seen any documented instances of that, and that may be the result of the more difficult process of penetrating and obtaining information from those types of associations. But I don't know of any particularized information in that regard.

Chairman NUNN. General, do you know of any connection between Russian organized crime elements and terrorist groups?

General YEGOROV. We do not have such information at hand.

Chairman NUNN. Is that something you are concerned about?

General YEGOROV. As something that will develop in the future, and if we are not going to be able to handle the growth of organized crime, I do not exclude that something like this could indeed take place in the future, but I do not have such information right now.

Chairman NUNN. President Zachert.

President ZACHERT. No, we do not have any documented proof of this and we do not have information to this effect, but we consider this information to be difficult to obtain because as far as our German terrorists are concerned, they are left-wing terrorists and for that reason it would be very difficult for them, for ideological reasons, to establish such contacts, and we don't expect them either.

Chairman NUNN. Director Freeh, could I ask you a question about whether you are getting adequate cooperation from our intelligence community in regard to international criminal activities, particularly Russian organized crime? Do we have a good relationship between the FBI and the intelligence community?

Mr. FREEH. I think the relationship is good, Mr. Chairman. I think what needs to be done and what we probably could do a much better job about is particularizing the information that is generated by intelligence services and routinely disseminated to law enforcement, as required by law, and having it in such a form that, one, we could assess its reliability and, two, determine its utilization with respect to pursuing leads or opening criminal investigations. That is often the bridge that has always been difficult to achieve, precisely because the agencies have different missions.

But we do have regular contact with the security agencies here who routinely give to us information relating to narcotics. There is,

as you know, a counter-narcotics center at the CIA. Also, with respect to organized crime activities, the question is always whether, one, the information can be assessed in terms of its reliability, and then, two, more importantly, what use we can make of it. I think there are areas in that regard that we could certainly improve upon.

Chairman NUNN. As you know, we have a counter-proliferation and a nonproliferation effort going both in the general agencies, the State Department included, as well as DOD, particularly zooming in on what is known as counter-proliferation. Are you plugged into this? Is the FBI plugged into this whole counter-proliferation effort?

Mr. FREEH. We have had good liaison with those offices in the past. I think what we need to do now is try to enhance the focus of some of their informational systems and collection procedures to look at the law enforcement aspects, which we then could put into play with our counterparts overseas.

I think we have been looking at it more as a domestic dissemination and response type of format. I think what we need to do now, more importantly, is look at it in terms of our international law enforcement efforts and liaisons, and I will take some steps in that area to review that process.

Chairman NUNN. Assume you had additional funds—let's say \$15 or \$20 million—to bear in on this whole question of organized criminal activity as related to weapons of mass destruction, not just nuclear but including chemical, biological, missile technology, and so forth. If you had \$15 or \$20 million, what would be your priorities in spending that money if you focused it on this area?

Mr. FREEH. My priority would be to get a number of investigators—obviously, special agent investigators in our case—perhaps up to 50 or 100, to get language specialists, to get support services, for two purposes. One, to do what I said before is the most important law enforcement effort, and that is to physically be present with capable, knowledgeable officers in the most necessary and critical areas, not just Russia, but also the other nuclear powers in the Soviet republics.

A large component of those resources would also be used—and they are not being used at all now because we don't have them—with respect to training and the supply of police equipment, bringing in the very good and competent Federal enforcement agencies, including DEA, including Treasury outfits, to go over and offer, when requested, and I know they are requested, our services, our equipment, and the establishment of data bases going beyond what is currently available in Interpol, which is very limited, and focus specifically on the proliferation area, on the counter-proliferation area, and the establishment of the people to do that job—agents, investigators and support—and the trainers and the superstructure to support that.

It is not, in my view, a large investment, given all the money we are spending in that regard, but certainly one which could be used exclusively for police-to-police improvement and to make some cases that would assure both countries that we have a much better handle on the problem than we do now.

Chairman NUNN. If you looked at your overall FBI responsibilities, including this area, but your broad responsibilities, where does this fit in in terms of your priorities?

Mr. FREEH. I think it is a top priority. I think that if you look at it from a narcotics trafficking point of view, if you look at the impact that these groups will have, if unchecked, in the next 10 years in terms of the violence and fraudulent effects that they will have on our economy, and the mere threat of a nuclear disaster which we could experience here, as anywhere in the world, and more importantly the maintenance of civil order, I think it has to be, and certainly is with me, a very top priority.

Chairman NUNN. General, could I close my questions to you by just asking what you would do if you had more funds in your own country, not that I have any formula for doing that now. What are your top priorities that are unmet now in dealing with organized criminal activity in Russia? What are your top needs that are not met?

General YEGOROV. I would, of course, get a group of legislators who should look again at our laws—this is a group of experts—and then I think a data base, computer technology, and the establishment of good communications channels. Of course, third, is the question of training, both intellectual training and for practical application.

Chairman NUNN. Thank you. President Zachert, from your perspective, what do you see as the top needs from a broader perspective than just your own country, in terms of the international challenge? Where do we need to put our emphasis and resources to deal with this problem?

President ZACHERT. You specifically addressed nuclear crime, and here the issue is really proper equipment. We need to have very expensive, very specific equipment and devices. Even during initial investigative activities, you need all kinds of measuring instruments. What is the radiation? To what extent is the substance enriched? That is very decisive during the initial investigative activities.

You need specialized vehicles for the transportation of such radioactive material, and you also need storage facilities that are sufficiently isolated. You need investigative instruments that are very expensive. Also, their production is very expensive. In addition, we need highly trained personnel and we don't have that type of specialization yet because this is a completely new type of crime and we are not ready for it, and that includes our training programs.

In addition, we need to have rapid access to information, and we have to share this information very quickly. For that reason, we need properly trained liaison staff, and especially these liaison people have to be available in the countries that are storing this material, and that would be really the highest priority as far as combating nuclear crime is concerned.

Chairman NUNN. Thank you very much. I thank all of you for your testimony. I think this has been a major step forward in terms of congressional understanding of the scope of this problem, and I hope that we can help provide both direction and resources for you to deal with it.

Do you have anything else, Director Freeh or President Zachert or General Yegorov? Do you have anything else you would like to add that we have missed?

Mr. FREEH. No, Mr. Chairman, other than to just thank you and the Members of the Subcommittee and the staff for administering a hearing which I think is just very, very critical. I also want to thank my colleagues, and particularly commend General Yegorov for his appearance here and the frankness and the courage with which he has met this inquiry, and the assistance that he has provided certainly to the Congress, but also to his colleagues in international law enforcement.

Chairman NUNN. General, I agree with that completely. I hope you will also thank President Yeltsin. I know that probably it went to that level in terms of your appearance here today, and we appreciate very much the Russian Government permitting this appearance to occur. I hope we have more of these kinds of interchanges. I think it has been very helpful. I think having American and German and Russian representatives all at one table sends a very powerful signal of the dedication that is evident here in terms of dealing with a problem that is already with us, but is inevitably going to worse and that poses great danger to the people of all of our countries, and indeed to the world.

I would say, President Zachert, to you that we are very grateful to you and your Government for your continued cooperation, and I hope we can build better ties in the future in terms of strengthening law enforcement.

I would pronounce the contest as to who can sit there the longest today, without having to take a break, a tie between the United States, Germany, and Russia. [Laughter.]

Chairman NUNN. Thank you all.

[Whereupon, at 12:10 p.m., the Subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF LOUIS J. FREEH

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to testify before you. I am joined today by General Mikhail Konstantinovich Yegorov, First Deputy Minister of the Russian Ministry of the Interior (MVD) and head of the MVD's Organized Crime Control Department, and Mr. Hans-Ludwig Zachert, President of the German Federal Criminal Police, Bundeskriminalamt (BKA). My comments today will focus on the FBI's efforts to address international criminal enterprises, our understanding of the scope and nature of the threat posed to the United States by Russian/Eurasian criminal enterprises, and, more particularly, the potential threat attributable to their trafficking in nuclear materials. My colleagues have graciously agreed to appear to add their perspectives on these problems.

Just four years ago, the former Soviet Union did not officially count organized crime among the list of problems it faced. By early 1993, however, President Boris Yeltsin had publicly acknowledged that "organized crime has become the Number One threat to Russia's strategic interests and to national security." Since that time, the situation has continued to be grave. In March of this year, President Yeltsin bluntly stated that, "Organized crime is trying to take the country by the throat." Such sentiments perhaps were motivated by a report made to President Yeltsin the month before by the Russian Analytical Center for Social and Economic Policies which concluded that, "The growth of organized crime threatens the continued political and economic development of Russia. . . ."

I come here today with General Yegorov and President Zachert to discuss an emerging threat emanating from Russia and Eurasia. We have joined together to make this presentation, because we realize that Russia's growing organized crime problem is a shared one, which threatens the safety and well-being of the law-abiding citizens of Russia, Europe and the United States. Likewise, we share a grave concern about the potential sale and diversion of nuclear materials by and among Russian/Eurasian criminal groups. Finally, we are all concerned about the future of democracy in Russia in light of the growing strength of those crime groups.

The threat that these crime groups pose to civil order in Russia is not imagined or illusory. Indeed, it is critical—not just for the Russians, but for all of us, because the fall of democracy there poses a direct threat to our national security and to world peace. Just last month, an anti-crime council established by President Yeltsin decreed, "In recent years the crime problem in the Russian Federation has sharply deteriorated. The scale of crime and its tendency to increase are dangerously deforming the course of reform and are posing a threat to the basic foundations of Russian statehood, constitutional legality, and citizens' security."

We are united here because, despite our past efforts in this area, much more remains to be done by each of our agencies, and our governments. We must help ourselves, and each other, if we are to have any hope of meeting the threats that this growing menace poses to our mutual interests. I would be remiss, however, if I did not acknowledge that the Russians, in particular, have worked valiantly in the face of tremendous obstacles to deal with this exploding crime problem.

More must be done because we cannot allow the same kinds of mistakes to be made today in Russia, Europe and here that were made in responding to the threat of gangsterism that swept through the United States in the Twenties and Thirties. The failure of American law enforcement, including the FBI, to take effective measures against developing organized crime groups then, and subsequently through the Forties and Fifties, permitted the development of a powerful, well-entrenched, American organized crime syndicate, which became notorious for its use of violence and corruption of public officials, much like the criminal enterprises that are emerging in Russia today. The crime syndicate I refer to, known as La Cosa Nostra or

the American Mafia, has required over 35 years of concerted law enforcement effort and the expenditure of incredible resources to address, once the scope and seriousness of the threat it presented to our society was finally acknowledged. It still has not been overcome.

More must also be done because of the concerns which have been raised by the apparent vulnerability of radioactive materials to theft or diversion in several areas of Eastern Europe and Eurasia. This situation becomes a threat of even greater proportions when coupled with the likelihood that Russian/Eurasian crime groups will view these materials as a desirable form of contraband, to be offered for sale to the highest bidder, regardless of the potential consequences to millions of innocent persons and the global environment. While the confirmed participation of Russian/Eurasian crime groups in such trafficking has, to date, been minimal, we believe the likelihood that they may use their existing and expanding criminal networks to criminally exploit such materials is sufficient to warrant international concern and action. Clearly, it is not in the best interests of the United States to allow our Russian and German counterparts to confront this threat to world security alone.

Next month, Assistant Secretary of the Treasury for Enforcement, Ronald Noble, Assistant Secretary of State for International Narcotics Matters, Ambassador Robert S. Gelbard, DEA Administrator Tom Constantine, and I will travel to Germany, Russia, and several Eastern European nations. The purpose of our journey is to assess the growing organized crime problems in those countries and to forge and nurture law enforcement partnerships which will enable us to develop coordinated solutions to those problems.

THE NATURE OF THE THREAT

As noted by President Yeltsin and other Russian observers, organized crime groups now pose a very significant and direct threat to the Russian Federation. Violent criminal activity, especially murders, extortions, kidnappings, and robberies, have increased dramatically in Russia. Russian criminal groups have siphoned off vast amounts of wealth from the Russian economy, often in conjunction with criminals from the United States, including former Soviet emigres. These organizations have demonstrated utter ruthlessness in pursuit of those objectives. As a consequence, some legitimate enterprises have expressed reluctance to do business in Russia, which could ultimately retard economic development and precipitate the flight of legitimate capital.

As evidenced by General Yegorov's presence here, the Russian Government is deeply committed to controlling organized crime in their country. They have candidly recognized that corruption is a hindrance to this effort and have moved aggressively to address that problem. General Yegorov has personally revised the selection and training process for his MVD officers. We must all be mindful of the corrupting influence of La Cosa Nostra and other organized crime groups in the United States.

The Russian/Eurasian criminal organizations are no longer confined to Russia. They are rapidly expanding their sphere of influence. FBI investigations and recent immigration trends show a significant and growing problem in the United States.

Russian/Eurasian groups are rapidly networking with other organized crime groups, such as La Cosa Nostra and Italian, Asian, and Colombian criminal organizations. They are involving themselves in a myriad of criminal activity in the United States, including complex tax and health care fraud schemes, extortion, money laundering, and drug trafficking.

The emigration of citizens from the former Soviet Union and Eastern Europe has increased significantly in recent years. In Fiscal Year 1992, for example, there were over 129,500 non-immigrant visas issued for citizens of Russia, Ukraine, and Belarus to enter the United States, compared to only about 3,000 in 1988. The U.S. Immigration and Naturalization Service estimates that between 10 and 20 percent of these temporary visitors do not leave the United States and there is growing evidence that the leaders of Russian/Eurasian organized crime groups have entered or have attempted to enter the United States using visitor visas. Measures have been taken by the State Department and the FBI to cooperatively address this latter issue.

State Department personnel and the U.S. Embassy staff in Moscow are assisting the FBI by providing information on an increasing number of suspicious non-immigrant visa requests and in some cases they have identified specific Eurasian criminals who were subsequently denied visas. Moreover, the State Department and the FBI have formalized a cooperative effort to share information on Russian criminals to prevent their entry into the United States. The FBI now routinely provides information on known Russian organized crime members to the State Department for

screening purposes. We are thankful for the cooperation of General Yegorov and the Russian MVD, which has provided much of this information.

The FBI investigates and monitors these criminal activities as a part of our Organized Crime/Drug Program. Indicative of the growth of this problem, in April of 1992 a survey of FBI field divisions identified 81 investigations, involving all types of criminal violations, in 17 different divisions, in which the subjects were Eurasian or Eastern European.

Thirteen of those investigations involved organized crime/racketeering violations. Based upon this survey, we designated Russian/Eurasian organized crime as an organized crime investigative priority. Subsequently, the Organized Crime Council, chaired by the Attorney General, designated Russian/Eurasian organized crime as an investigative/prosecutive priority. By early 1994, the number of FBI organized crime/racketeering investigations involving such groups had risen to 35, with corresponding increases in other investigative programs.

Two categories of Russian/Eurasian-based organized crime groups, the "vory v zakone" or "thieves-in-law," and the ethnic-oriented groups, such as the Chechen organized crime groups, have begun influencing Russian/Eurasian organized crime in the United States. These Eurasian-based groups more closely resemble other traditional organized crime groups in their degree of organization and currently pose the most significant and immediate threat. Their use of violence to protect and further the criminal enterprise, their extensive experience in fraud schemes against governments, and their association with La Cosa Nostra, define them as the very types of organized crime groups that the FBI is mandated to address.

The "thieves-in-law" or "thieves under the law" are not by themselves an independent organized crime group, but instead are historically recognized as an elite within the Eurasian criminal world. They are an important part of organized crime in Russia and Eurasia. The "Code" ("Vorovskoi Zakon") guides the personal behavior of the "thief-in-law," and directly influences his decision making process for his organized crime group. The "thief-in-law" may control the "obshchak," the criminal general fund of a Russian/Eurasian organized crime group into which a large portion of the group's illegal profits flow. The "thief-in-law" has as his representative a "smotryashchiy," or "supervisor," in every regional city in which the "thief-in-law" has influence. The "smotryashchiy" is answerable and accountable to the "thief-in-law."

Only those who recognize the thieves' law and reject all others can be accepted into the ranks of the hardened criminal world known as the "blatnoi." Criminals within a prison identify an individual to be the leader of the inmate community by a recommendation of another "vory v zakone." Through various means of communication, the leaders of different prisons decide whether to accept a fellow prison leader as a "vory v zakone." Once "coronated" as a "vory v zakone," he is recognized throughout the criminal community, regardless of whether he is in prison. These individuals can be likened to La Cosa Nostra "made guys." They are treated with a similar respect in the criminal underworld. Our knowledge of these organizations is largely derived from our discussions with the Russian MVD.

To give the Subcommittee an idea of the extent of the Russian/Eurasian organized crime threat, the MVD estimates that: there are more than 5,600 Russian organized crime groups, of varying sizes and structures, operating in Russia; these groups consist of approximately 100,000 active participants and have almost 30,000 leaders; approximately 300 of these groups operate internationally; and, approximately 24 of those groups either conduct activities in the United States or assert a criminal influence in this country. Although one cannot easily equate La Cosa Nostra with these Russian organized crime groups, it is important to note that the Russian organized crime groups are roughly ten times larger than the current population of La Cosa Nostra members and associates operating in America today.

CRIMINAL ACTIVITIES

Russian criminal enterprises are engaged in a variety of criminal activities in the United States.

FRAUD SCHEMES

The Russian emigre gasoline excise tax schemes, some with La Cosa Nostra connections, continue within the United States, and generate millions of dollars in criminal profits through diversion of the State and Federal taxes on gasoline. These individuals and enterprises are estimated to control the sale of over 50 million gallons of gasoline a month, on which approximately seven million dollars in Federal excise tax is evaded. These schemes have been the subject of a number of joint FBI and Internal Revenue Service investigations in the United States.

In most instances, the schemes exploited the tax reporting requirements. Until recently, an excise tax was due when the fuel was sold to a supplier at the retail level. Participants in the fraud schemes have capitalized on this provision by establishing a series of shell companies which utilize fraudulent tax exemption forms indicating that the fuel had changed hands numerous times before reaching the retail level. Ultimately, the excise tax became due from one of the shell companies, referred to as the "burn". After a few months of operation, the "burn" company would discontinue business, leaving a dead-end trail of paper for the auditors and/or investigators.

The lost tax revenue on fuel sales in the United States was estimated to be \$1 billion per year. Several successful investigations have been directed at these organizations. Most recently, several Russian/Eurasian emigres pleaded guilty in the Eastern District of Pennsylvania to a violation of the Racketeer Influenced Corrupt Organization (RICO) Statute, the RICO Forfeiture statute and conspiracy. This investigation is particularly noteworthy as it underscores the close cooperation developing between the FBI and the MVD. Two of the subjects of this investigation fled to Russia in an effort to avoid prosecution in the United States. Based on a request for assistance from the FBI, the two individuals were located by the MVD in Russia and returned for prosecution in the United States. Two other individuals who previously fled to Ukraine voluntarily came back to the United States when they heard of the arrest and return of the Russians. Eighteen individuals and three companies have entered guilty pleas. To the extent proceeds of the criminal activity are forfeited, the FBI has recommended that the proceeds be shared with the MVD.

Interestingly, one of the subjects in this matter was identified by the MVD as a Russian organized crime figure. Moreover, the same individual survived an apparent organized crime-style assassination attempt in the United States in 1991.

Information concerning the international aspects of these schemes indicates that the Russian/Eurasian principals in these crimes were actively laundering the profits, and were investing in international trading companies which finance the smuggling of consumer goods into the former Soviet republics. These principals traveled to and from the former Soviet republics, and were suspected of having invested profits from the scheme in Russia. As a result of a successful FBI investigation which targeted this activity, it has been confirmed that profits from this scheme were funneled to import/export firms in the United States doing business in Eurasia, and to a Russian organized crime figure in Moscow.

By a recent tax law change, the motor fuel excise tax must now be collected at the time at which gasoline is moved from the terminal, the immediate effect of which is to limit the "paper chase" to the terminal. However, initial intelligence suggests that criminal schemes continue to be perpetrated, in spite of these recent changes, inasmuch as there continue to be certain "tax free" end uses for fuel obtained from the terminals. Some of these include fuel designated for use as home heating oil, aviation fuel, fuel for farm use, and fuel purportedly destined for use by certain government entities or municipalities.

While the Russian/Eurasian criminal groups are noted for their participation in gas tax fraud schemes, their white collar crime activities are considerably more extensive. For example, a Los Angeles-based criminal enterprise, including a principal who was an emigre from the former Soviet Union, employed a mobile health care diagnostic service and "free clinics" in attempts to defraud both private and government health insurers in the United States of roughly one billion dollars. Losses of approximately \$50 million resulted from these schemes. Billings for nonexistent services, inflated billings, or billings for unnecessary services provided the basis of the scheme. These activities were the subject of two separate Federal investigations. The first, in which the FBI participated, was conducted by the Los Angeles Medicare Task Force in 1987. In 1991, the Russian subject charged in the 1987 investigation was again charged and convicted in a second, similar, medical insurance billing scheme, along with his brother and others. Criminal associates of these brothers are affiliated with an organized crime group operating in the Baltic States. The latter case was a multi-agency, joint investigative effort involving the Office of Inspector General, Health and Human Services, the United States Postal Inspectors, and the Defense Criminal Investigative Service.

MONEY LAUNDERING

FBI information clearly indicates that Russian and other Eurasian emigres in New York, Los Angeles, San Francisco and Chicago are presently involved in laundering millions in U.S. dollars that originated as rubles, utilizing U.S. financial institutions and front companies. Information indicates that while some legitimate capital flight is involved, there is significant indication that much of these funds

originate from fraud, theft, and organized crime activities within Russia and the other former Soviet republics.

It appears that the most frequent criminal activities generating these criminal profits in Russia are bank fraud and general fraud involving corrupt businessmen, corrupt government officials and organized crime figures. At present, the FBI has initiated a number of investigations targeting Russian/Eurasian criminal enterprises which are laundering, through U.S. banking institutions, profits from their criminal activities. These complex schemes involve multiple international transactions and, in many instances, the proceeds are transported back to Russia in the form of cash. The large volume of these transactions represents a potentially corrupting influence in the banking industries involved, both here and in Russia. Approximately 35 Russian bankers have been assassinated in the past year, many, we believe, by Russian organized crime figures, in apparent efforts to exert influence over Russian financial systems.

The October 1992 amendments to the U.S. money laundering laws broadened the list of money laundering predicate crimes to include offenses against a foreign nation, involving kidnapping, robbery, extortion, fraud, or any scheme to defraud, by or against a foreign bank. This amendment is the basis for several ongoing FBI investigations targeting the laundering of Russian funds generated from criminal activities in Russia through U.S. banks and front companies. With the reported loss to Russia of billions of dollars in hard currency, resulting in part from apparent criminal activity in Russia, and the threat posed by the possible use of such funds to further Russian criminal activity in the United States, these investigations could prove a significant area of future cooperation with the MVD.

DRUG TRAFFICKING

The FBI has established that some Russian/Eurasian organized crime groups are becoming involved in trafficking of controlled substances in the United States. Furthermore, based on the drug trafficking activities of Russian/Eurasian organized crime groups in Eastern and Central Europe, we have full expectations that the involvement of Russian/Eurasian organized crime figures in drug-related crimes in the United States will increase. With the growing frequency of travel between Russia, the rest of Europe, and the United States, the United States has become increasingly available to Russian/Eurasian organized crime groups as a site for criminal activities, including drug trafficking.

The framework for the establishment of Russian/Eurasian drug trafficking networks into the United States is already in place. Using existing Russian/Eurasian organized crime contacts and activities in the United States, drug trafficking by those groups could rapidly increase in the near future. Some Russian/Eurasian criminals currently in the United States, or with influence and contacts in this country, are adept in the international smuggling of a variety of contraband. That expertise obviously can facilitate the large-scale involvement of Russian/Eurasian organized crime groups in American drug trafficking.

Cooperation between Russian/Eurasian organized crime groups and Colombian drug cartels has been detected. Russia and other former Soviet republics are apparently being used as transshipment points for Colombian cocaine into Western Europe, with the complicity of Russian/Eurasian organized crime groups. In one incident in 1993, a one-ton cocaine shipment being transported by Russian/Eurasian organized crime and Colombian cartels was interdicted by Russian authorities near St. Petersburg, Russia.

In 1993, pursuant to an extensive undercover investigation, the FBI arrested a Russian emigre in possession of \$500,000 in stolen money orders. Shortly after the FBI arrest, DEA arrested the same subject. Evidence developed during an undercover DEA heroin investigation, which also involved wiretapping and targeted an enterprise involving Italian-Americans and Russian emigres, revealed that this subject was involved in many illegal activities. Ultimately, eighteen defendants were successfully prosecuted in the Southern District of New York for trafficking in major quantities of heroin and cocaine. The heroin was shipped from Warsaw to the United States. An additional three Russian emigres were convicted on counterfeit security violations.

VIOLENT ACTS

As Russian/Eurasian organized crime groups become more active in the United States, incidents of violence related to their operations in America have become more frequent. Such violent acts have included murder, extortion, assaults, and other violence. They have been committed by Russian/Eurasian criminals who have emigrated to the United States, as well as Russian criminals who have traveled to

the United States solely to commit particular acts of violence. Several organized crime-style assassination attempts have involved recent Russian emigre criminals who were the victims of retaliation for similar acts which they allegedly perpetrated abroad.

American businessmen working in Russia have been kidnapped and held hostage by Russian/Eurasian organized crime figures. Recently, an American businessman was killed near St. Petersburg in a suspected confrontation with organized crime figures there. Russian authorities are currently investigating this murder. We are providing requested assistance by conducting needed United States investigation.

Russian emigres in the United States have been kidnapped and extorted by Russian emigres and Russian nationals visiting for the singular purpose of committing such crimes. Commonly, the victims are forced to sign money orders or make withdrawals from bank accounts. Russian victims often are reluctant to testify for fear of retaliation against themselves or against family members residing in Russia. It is likely that violence related to Russian/Eurasian organized crime groups will increase dramatically as the groups expand their operations in America.

TRAFFICKING IN RADIOACTIVE MATERIALS

A growing problem related to the dramatic growth of criminal activity emanating from Eurasia and Eastern Europe is that of increased criminal trafficking of low-grade nuclear materials and related radioactive materials. Information received by the FBI from a variety of sources indicates that the theft and smuggling of these materials from the former Soviet Union and Eastern Europe are appearing with increasing frequency in Germany and elsewhere. Beginning in 1991, Europe first began to experience multiple incidents involving illicit low-grade nuclear materials. These incidents suggested that nuclear or related radioactive materials from sources in the former Soviet Union and from the former Eastern Bloc countries were being illegally obtained, smuggled and illicitly offered for sale in Western Europe, primarily in the Federal Republic of Germany. The interest focused on the prospect of proliferation of nuclear weapons and weapons-grade nuclear materials, such as plutonium and highly enriched uranium which could be acquired illegally and which might then be sold on the black market to the highest bidder.

There also are serious concerns over the potential for the illicit acquisition and trafficking of a wider range of nuclear and/or radioactive materials which are more commonly available, as well as commercially useable and saleable substances, such as cesium, osmium, radium and others. Included in this category are plutonium and uranium, in quantities and at enrichment levels well below weapons-grade. Materials in this category can be more easily obtained by theft from nuclear, industrial and research facilities, than can weapons-grade materials.

In evaluating the current threat posed by this illicit traffic in nuclear materials it is necessary to distinguish between what has been offered for sale on the black market, and what is actually available for purchase as determined through law enforcement investigation. While purported nuclear weapons and highly enriched weapons-grade nuclear material have been offered for sale, at the present time there are no known instances in which law enforcement authorities have confirmed that such materials actually existed for purchase. During 1992 and 1993, fraud activities surrounding these offers to sell were numerous, and in 1992 and 1993, there were confirmed illicit transactions in Europe which involved uranium and plutonium. However, to date, these nuclear materials have been well below the enrichment and/or quantity levels suitable for weapons use.

It is the illicit trafficking in the relatively more common, commercially available and useable nuclear and nuclear related materials that poses the most immediate potential to cause significant loss of life and/or environmental damage. Most of these activities have been determined to be thefts and/or frauds involving relatively low-grade nuclear materials by petty criminals who erroneously believe that a black market for their resale exists and in which the uncontrolled handling and transportation of such radioactive materials pose potentially serious public health and environmental threats. The traffickers and middlemen handling these materials have included internationally organized gangs and smugglers as well as individual businessmen and con men. The extent of their knowledge or understanding of the uses and proper handling of radioactive materials varies extensively. Some of these persons have died handling this material. If the trafficker cannot obtain a buyer or has otherwise misjudged the buyer and/or market for his illicit nuclear or nuclear related material, there are indications that it may be stockpiled, or simply abandoned. In either case, the substances are potentially a silent killer of persons and poison for the surrounding environment.

Reported trafficking incidents in 1991, 1992 and 1993 suggest that, initially, the individuals involved in trafficking these materials from Eurasia and Eastern Europe frequently conduct their black market sales of these materials within the Federal Republic of Germany, the Baltic States, and to a lesser extent in the Middle European countries. Our German counterparts, the BKA, have reported an increasing number of incidents within Germany which involve nuclear and related materials: 1991 (41), 1992 (158), 1993 (241).

The persons and groups offering these materials were also generally engaged in the trafficking of precious metals, antiquities, raw materials or other commodities from Eurasia and Eastern Europe which were going into and through the Federal Republic of Germany. However, according to our BKA colleagues, the actual market in Germany for these illicit nuclear materials was over-estimated. As discussed earlier, this situation, at least in the short-term, may result in more dangerous situations involving the traffickers improperly disposing of radioactive materials for which they find no market. Additionally, the BKA has had indications that even low-grade radioactive materials may have value to the traffickers as potential tools for use in extortion activities. Nevertheless, according to the Department of Energy's Lawrence Livermore Laboratories database, of the 104 nuclear extortion threats known worldwide since 1970, only one was found to have actually involved nuclear material and it was determined to be of low grade and commercially available.

Among the eleven incidents investigated by the FBI since February 1992 in which alleged fissionable materials were offered for sale, all were found to be hoaxes or involved a small amount of low-grade nuclear material. In each incident, the materials were offered for sale from locations in the former Soviet Union or in the former Warsaw Pact countries and no material entered the United States.

A 1993 example involved persons abroad who established contact with U.S. Government officials for the purpose of selling purported nuclear materials which had been smuggled out of the former Soviet Union. In this incident a subject operating from a third country had been provided with a few kilos of nuclear material to sell by a group the subject described as a Russian organized crime group. This organized crime group, according to the subject, had both plutonium and uranium for sale. The subject was subsequently arrested abroad by foreign authorities and the nuclear material being offered for sale was determined to be a crude form of uranium 238.

The FBI believes that the expanding presence of Russian/Eurasian crime groups in the United States and elsewhere, coupled with potentially disastrous ramifications of increased criminal access to nuclear and nuclear related materials, pose such a significant future threat that the situation must continue to be carefully monitored by law enforcement in this country.

THE FBI'S INTERNATIONAL EFFORTS

Extraterritorial operations conducted by the FBI in connection with criminal matters are limited to investigations and inquiries concerning alleged criminal activity that have an impact or potential impact on the United States or on a person protected by United States law. The FBI's international effort includes the Legal Attaché program, which establishes and maintains liaison with the principal law enforcement, intelligence and security services in designated foreign countries. The FBI currently has twenty-one Legal Attaché offices, staffed by 115 FBI personnel. The Santiago, Chile, office will open this summer, and additional Legal Attaché posts are under consideration for expansion into other countries. This program enables the FBI to effectively and expeditiously meet its international responsibilities in organized crime and drugs, white collar crime, international terrorism, foreign counterintelligence, and general criminal matters. Liaison is carried out in accordance with Executive Orders, statutes, Attorney General Guidelines, respect for host country laws, and FBI policy.

I am pleased to advise the Subcommittee that, while I am in Russia, I will open the FBI's Legal Attaché Office in Moscow. This historic step marks the first time that Department of Justice law enforcement officials will be stationed in Russia. The FBI's criminal investigative presence there will greatly assist the establishment of a law enforcement bridge between Russia and the United States. I view it as a bridge that will create police-to-police contacts to enable Russian and American criminal cases to be fully coordinated, investigated, and supported, here and there. The opening of that office is a critical first step in the expansion of our cooperative law enforcement efforts, an expansion which is necessary to stem the tide of Russian/Eurasian organized crime.

The FBI's role in international investigations has expanded because of the authority granted by the congressional application of extraterritorial jurisdiction and the growth in international criminal activity. We truly live in a global community where

international organized criminal enterprises flourish. To apply our proven enterprise investigative approach to these problems, we must be an active participant in the international arena. Active investigation abroad requires coordination with the Chief of Mission, the Department of State and any other involved agency. The FBI routinely coordinates requests for investigative assistance with the appropriate host government agencies and, in some instances, other U.S. Government agencies, such as the Drug Enforcement Administration. When the demands of an investigation require that the FBI conduct inquiries, the FBI conducts that investigation with the knowledge of the ambassador and the host country.

The FBI also is an active participant in other international programs including INTERPOL, both domestically and abroad; the Financial Action Task Force; the International Criminal Investigative Training Assistance Program (ICITAP), a Department of State funded effort to provide professional criminal law enforcement training to police departments in developing nations; and, in conjunction with the FBI's National Academy (NA) program, we have provided training for over 1,200 foreign police officials.

In today's world, technological advances have made transnational communications, information exchange, financial transactions, travel and transportation of goods and services readily available and affordable. Criminal exploitation of these advances has followed suit and has proliferated, becoming increasingly apparent in virtually all types of FBI investigations, including personal and property type crimes, fugitives, and white-collar crimes, as well as the more internationally-oriented crimes such as drug trafficking, organized crime, terrorism, and espionage. This trend has also affected the ability of state and local law enforcement agencies to effectively investigate and resolve crime. Foreign police agencies have encountered similar problems in dealing with expanding transnational criminal activity.

LIAISON

One of the single most important factors that can reduce the investigative complications associated with the investigation of international criminal organizations and which will significantly affect the FBI's ability to successfully combat Russian crime in the United States is the level, intensity, and quality of investigative cooperation the FBI will have in the future with Russian law enforcement. We have been fortunate in this regard as our relations with the Russian MVD have been very favorable.

The FBI has designated the Russian MVD as our primary point of contact and coordination with Russian law enforcement for criminal investigative matters. The MVD has the broadest law enforcement investigative jurisdiction, and the clearest, primarily law enforcement mission of the Russian law enforcement organizations. According to Russian MVD officials, the Ministries of the Interior of most of the Commonwealth of Independent States countries have signed agreements to coordinate organized crime matters with the Russian MVD and these organizations continue to support the Russian MVD Central Criminal Records Center.

General Yegorov visited FBI Headquarters for one week in February, 1993. A series of meetings were held during that period for the purpose of establishing the necessary understanding and foundation for a long-term cooperative working relationship between the FBI and MVD.

Since February of 1993, we have met on several other occasions with General Yegorov, both here in the United States and in Russia. These visits have precipitated a mutually beneficial exchange of criminal intelligence and investigative assistance between the MVD and the FBI. For some time, we have assigned Special Agents on temporary duty to work with the MVD in Moscow pending the permanent assignment of FBI Legal Attachés to Moscow in the very near future. As I stated before, we view the placement of FBI Legal Attachés in Moscow as critical to advancing our working relationship with Russian law enforcement agencies. Very significantly, we are preparing to install a direct and secure means of communication among and between the FBI, MVD, and BKA. Such a safe means of direct communication will facilitate the investigative assistance that each agency provides to the others through the rapid exchange of real-time law enforcement intelligence and data.

In addition, as other countries experience the increasing effects of Russian/Eurasian organized crime, further international cooperation will be essential. In July 1994, the annual meeting of the BKA/FBI Working Group will be attended by General Yegorov and the issue of Russian organized crime and the joint measures necessary to address it will be a principal point of discussion.

TRAINING

As FBI investigations focus more frequently on international criminal enterprises, cooperation with foreign police agencies is increasingly necessary and commonplace. The ability of foreign law enforcement agencies to effectively assist the FBI in its investigations and to address their own crime problems are directly related to the professionalism of those agencies. Many foreign law enforcement agencies have recognized the FBI's expertise in conducting investigations of organized criminal enterprises and sophisticated crime schemes and have requested training to enhance their capabilities in those areas.

During 1992, the FBI received more than 180 requests for training from more than 60 countries worldwide. FBI officials have met with our ranking international law enforcement counterparts and discussed American racketeering legislation, the FBI strategy for investigating organized crime groups, and the methodology used to destroy those groups, while adhering to democratic principles of law enforcement. However, it has not been possible to satisfy all of the requests for training of hundreds of officers. We have prioritized our efforts to be responsive to the most critical needs. Nevertheless, by diverting resources, the FBI has been able to respond to several requests for training programs designed to assist in dealing with the problems of international organized crime. FBI Agents have provided training in Eastern Europe to national police officers from Poland, Hungary, and the Czech Republic. In separate sessions during the past few months, with the assistance of State Department funds, FBI Agents have trained Estonian and Lithuanian police officers at the FBI Academy at Quantico; in July, they will train Latvian police officers at Quantico.

Although some beneficial training has occurred, I believe that much more has to be done. It is incumbent upon American law enforcement agencies to provide our international law enforcement partners with requested law enforcement training and assistance. We must provide them with needed expertise in the collection and use of evidence, as well as its storage and retrieval. Further, we must explore the means by which we can establish a joint law enforcement intelligence base to assist police officials in America, Russia, Germany and throughout Europe to counter the growing threat of Russian/Eurasian organized crime. Finally, we need to work with them in developing legislation needed to address organized crime. As that legislation is enacted, we need to work with them to develop viable organized crime detection strategies and investigative programs.

The FBI has over 35 years of dedicated, hard-won experience in addressing organized crime groups. We have to share that experience and our expertise with those countries requesting help in facing organized crime. Similarly, DEA, with its unique expertise in narcotics law enforcement matters, must share its experience in narcotics-related law enforcement matters with our foreign counterparts.

We live today in a global community. Technology, communications, and the availability of rapid travel enable organized criminals to conduct international criminal schemes. The United States is a rich country and, thus, provides a target-rich environment for international criminals. It is, therefore, in our best interest to have professional, knowledgeable foreign law enforcement counterparts work with us on international investigations and thwart the spread of this criminal plague.

CONCLUSION

As I stated before, Russian/Eurasian organized crime groups are spreading in the United States and are extensively involved in a variety of crimes. There is an urgent need to do more to combat these groups. We must attack them in a more aggressive, fully coordinated fashion, together with our Russian and German law enforcement partners.

In order to prevent an incident of horrendous proportions, we must recognize that these organized crime groups may already have the capability to steal nuclear weapons, nuclear weapons components, or weapons-grade nuclear materials. This ominous nuclear threat, along with its potential for widespread disaster, poses a clear danger to our national security. The international law enforcement community, especially the three agencies appearing before you today, must take swift action to prevent a nuclear incident from occurring.

To date, the best available information indicates that there have been no serious diversions of weapons-grade nuclear materials. There have been, however, a significant number of reported cases involving the theft and smuggling of relatively low-grade nuclear materials in Eurasia. We cannot afford to wait until there is a successful diversion of a significant amount of nuclear material before we develop and implement an international law enforcement plan of action to address this grave

threat. The time to develop such a plan of action is now, before that dreadful incident occurs.

Enhanced law enforcement efforts must be taken now to guard against nuclear weapons or weapons-grade material falling into the hands of outlaw nations, organized crime groups, or terrorist bands planning to carry out a catastrophic attack. Further, the United States must enhance its efforts against Russian/Eurasian organized crime while the threat is relatively small and not yet well-entrenched in the United States. Indeed, we cannot afford a repetition of the dreadful errors made by the United States Government in the 1920's that permitted La Cosa Nostra to grow to such a large and powerful threat to our society.

Finally, we must use our collective law enforcement skills to ensure that organized crime groups do not thwart the ongoing democratic process in Russia. We cannot sit idly by, while organized crime groups "flex their muscles" and threaten civil order there. Indeed, as I stated at the outset, a breakdown in Russia's civil order will present grave national security concerns for America.

To ensure that we are adequately addressing the influx of international organized crime groups into this country, we must increase both our foreign liaison efforts and maintain our investigative emphasis on international criminal organizations. Second, if requested, we must provide training programs which are responsive to the legitimate needs of foreign law enforcement agencies, thereby enhancing their capabilities to meet the threats of Russian/Eurasian organized crime and the sale and diversion of nuclear materials. Several nations have already asked for such assistance. It is in the best interests of those nations and the United States that we begin these initiatives before these organized crime groups become more powerful and entrenched.

Such efforts will bear a significant cost. It is a price, however, which must be paid. Let us learn from our past experience with organized crime in America and pay the price now, before it becomes too costly later.

PREPARED STATEMENT OF HANS-LUDWIG ZACHERT

I. INTRODUCTION

In the Federal Republic of Germany—as in other European countries—recorded crime has reached a high level. In less than twenty years, the number of offences per 100,000 inhabitants has more than doubled. The dramatic political changes in Eastern Europe and the ever-increasing integration in the West have had a marked impact on crime patterns. New operating theaters have opened up for criminals, whose mobility knows virtually no bounds. The difference in the standard of living as compared with most other regions of the world and the dread of war and unlawful systems of government cause many people to seek refuge in Central Europe, among the criminals and extremists. As a result, internal security in Germany and Central Europe is characterized by growing threats and new centers of criminal activity.

The determining factor in the structure of crime are property offenses, above all theft. At a first, superficial glance, many of these offenses would seem to belong to everyday crime. Individual losses are not high, the physical integrity of persons is not affected, and numerous criminal acts also display a lack of marked criminal energy. Our security authorities as well as those in neighboring countries recognize, however, that besides such offenses that may be termed "everyday crime" there is an ever-increasing and intensifying presence of the particularly dangerous phenomenon of organized crime (OC). Organized offenders have included large areas of general crime in their repertoire of offenses.

Becoming aware of the presence of OC is, besides the fact that it cannot be narrowed down to any particular offenses or crime fields, further hampered by the lack of a uniform structural model for all its branches. In Germany, we see two basic forms. Chiefly in population centers, offender networks have established themselves which are based above all on relationships of a personal, or business, nature and that can be exploited for criminal purposes. Often, they extend beyond national borders. Besides these networks, there exist independent groups with more or less fixed personal structures. In part, they operate out of other countries and have an impact on Germany. Due to the coexistence of these forms, a singular variety of OC has developed in Germany.

So far, a lack of visibility and accessibility, problems of differentiating between legal and illegal activities, and the impossibility of measuring the magnitude of the problem have allowed OC largely to escape the description and analysis that is usually applied to other crime fields. Only gradually do we begin to realize the size of

the threat that embraces all spheres of society. Even police and the justice system have become aware of only part of total crime and in particular of organized crime to date.

The facts of OC known to police have been summarized in situation reports in the past few years. In cooperation with the State Criminal Police Offices, the Federal Criminal Police Office (BKA) has compiled the information and intelligence developed in police investigations and providing indications of the volume of, and the potential threat posed by, known OC.

Some organized crime groups currently present a particular threat in Germany. Besides Italian organized crime, law-enforcement attention is increasingly attracted by the activities of East European groups based in Germany and other West European countries.

In Eastern Europe, it is particularly striking to see how rapidly and flexibly criminals, of all people, can adapt to the conditions to be found in a market economy and procure themselves advantages from it to promote their illegal machinations. The criminal potential released through the collapse of the Eastern Bloc and its restrictive system of economy finds ideal operating conditions not only at home, but above all in Western Europe—with particular emphasis on Germany. The share of East Europeans among crime suspects identified in the course of German OC investigations was around 11 per cent in 1992 and 1993. The offenses preferred by East European OC perpetrators are in the fields of motor-vehicle theft and trafficking, drug-related crime and currency counterfeiting, protection rackets and trafficking in human beings.

II. ILLEGAL TRADE IN RADIOACTIVE SUBSTANCES

In 1992 already, the number of nuclear crime cases in the Federal Republic of Germany showed a marked increase (+285.4 per cent). In 1993, the number of cases known to police rose by a further 52.5 per cent to reach a total of 241 now.

A distinction should be made between cases in which there was actual proof of trafficking in radioactive substances and those in which such substances were not really present but apparently were offered in a fraudulent fashion.

TABLE 1

Cases reported	1991	1992	1993
Fraudulent offers (including offers of nonradioactive material)	NA	59	118
Illicit trade in radioactive material	NA	99	123
Among these: Seizures of radioactive material		18	21
Total	41	158	241

NA—Not available.

Cases giving rise to a suspicion of illicit handling of, or trafficking in, radioactive substances rose by 24.2 per cent in 1993 as compared with the previous year and numbered 123. These were violations of the Penal Code (Sections 311d, 326, 328, 330) and, in a few cases, of the War Weapons Control Act. Seizures went up from 18 in 1992 to 21 in 1993.

The increase in fraud cases (+100 per cent) was more marked as that in cases of trafficking. The nonradioactive substances offered, such as osmium-187, cesium-133, scandium, and "red mercury," have been included in this crime category since analysts' findings show there is reason to assume that the same suspects:

- also deal in radioactive material,
- use the inactive substances or descriptions/expert opinions relating to them to cover up their activities involving radioactive material,
- as couriers, unaware of the chemical/physical/radiological properties of the material, transport or handle radioactive substances on behalf of third parties instead of allegedly inactive ones,
- fraudulently pretend that they are dealing in radioactive material while in reality they supply or possess inactive substances.

OFFERS

Again, besides non-weapons-grade radioactive substances such as

- uranium (low-enriched)
- cobalt
- cesium
- strontium
- californium,

there were offers of weapons-usable plutonium and highly enriched uranium. However, there is no information indicating that any weapons-grade material was actually available to those offering it.

As far as the substance referred to as "red mercury" is concerned, the high prices asked were explained by the allegation that this material was suitable, amongst other purposes, for the construction of nuclear weapons or ignition devices, for the stabilization of rockets, and as an additive for high explosives. In the light of information available to date, however, this is not true. "Red mercury" is also said to be used as a disguised reference to plutonium or uranium; this has not been verified so far.

SEIZURES

Besides

- plutonium
 - natural uranium
 - uranium pellets (low enriched)
 - uranium powder/oxide
 - cesium 137
 - americium-241
 - strontium-90
 - osmium-187 (inactive) with admixtures of cobalt 60,
- it was for the first time that the neutron emitter
- californium-252

was seized in 1993 (2 cases).

In the opinion of "EURATOM" commercially available californium-252 sources are not suitable for use in weapons and therefore are believed to play no significant role for "war weapons."

By and large, the situation remains unchanged in that no weapons-grade material has been seized.

ORIGIN OF THE SUBSTANCES/TRANSIT ROUTES

Illicit trading in radioactive substances in the Federal Republic of Germany basically is an international offence in that the material offered mainly comes from abroad. The parties involved claim that the substances originate from countries in Eastern Europe and, as far as there is information available, are taken to Germany via the Baltic countries and Poland as well as countries in the South East of Europe. In some cases, the import routes and/or the origin of the material can be traced.

Based on analysis reports or expert opinions found in the possession of suspects or prepared in connection with seizures it has been found that different parties offered what appears to be the same material.

In a few cases, the material properties or the markings found on the substances or their containers provided leads to their origin.

In three out of the 21 seizures, the radioactive material come from the Federal Republic of Germany. In two cases, strontium-90 calibration sources and in one case a cylindrical metal object with a certain presence of uranium-235 were found.

EXTORTION CASES

In 1993, investigative proceedings (2 cases) were initiated for the first time on suspicion of extortion involving the release of radioactive substances.

In one case, the informant advised that a group of four Eastern European nationals intended to blackmail Germany and/or Austria. The offenders, who reportedly were involved in illicit trading in nuclear material and had experienced problems selling it, intended, he said, to release radioactive substances through an explosion. After the explosion of a device, the governments were to fulfill certain financial demands, whereupon the locations of other explosive devices already planted would be disclosed. The enquiries into the matter failed to confirm the informant's allegations.

In the second case, the Munich State Criminal Police Office received a parcel with two computer disks containing an anonymous extortion letter threatening that nuclear devices would explode in four major cities at certain times unless the financial demands set out were met. The ultimatum expired without any further communication from the offender. The investigation is continuing.

Further, in connection with strontium-90 sources seized in Saarbrücken in 1993 it was alleged that the offenders had buried the radioactive material in Saarbrücken in order to demand the payment of money in return for disclosing where the sources were hidden. In actual fact, no such demands were made.

SUSPECTS

In connection with the 241 nuclear-crime cases reported in Germany in 1993, 545 suspects were identified. The share of non-German suspects was 47 per cent. Predominantly they were Czech, Polish, and Russian nationals (23.7% of all suspects, 49.8% of the non-German suspects). The share of non-German suspects is approximately the same as in the previous year. No information has surfaced indicating that offenders have acted on behalf of a government.

Many of the German suspects had previously come to police notice in connection with fraudulent activities and/or arms trafficking.

ASSESSMENT

The overall phenomenon must still be viewed in the context of the opening of East European countries and the concomitant profound changes to be observed in politics, economy, and administration. The illegal availability of radioactive material is favoured by instable political conditions and insufficient security measures that are a result thereof. Particular in the CIS, there appear to be material as well as personnel resources (i.e., nuclear fuels on the one hand and scientists on the other) that are increasingly being utilized for illegal purposes.

Market aspects

In the light of economic difficulties experienced by East European countries, the wealth to be observed in Germany constitutes a particular attraction. The opinion held so far that apart from a "go-between" market there is no demand for radioactive substances in the Federal Republic of Germany has been confirmed.

As there is no evidence of an illicit end-user market and probably no such market exists, it is to be assumed that the offenders cannot, or can only with difficulty, find purchasers for the radioactive material they actually have in their possession. Therefore, there is an increasing risk that the criminal element will nevertheless try to turn to profit any material they have. This is substantiated by the aforementioned extortion cases in which the material was to be used to exert pressure.

The radioactive material actually held by the offenders constitutes, even if not of weapons-grade quality, a considerable potential hazard. Substantial risks can be generated merely through improper handling by the offender side.

Organized crime

There continues to be an increasing trend towards group structures, especially in the CIS and the East European countries, which are linked to "organized crime" in the countries of origin and transit.

Although the statements made by the persons involved in the proceedings cannot always be verified, they nevertheless point to organized criminal groups which

- are active in more than one field of crime,
- try to impose their "demands" through violence/extortion,
- operate at an international level,
- are said to have contacts in government circles and/or security authorities.

The suspicion of organized activities is corroborated, inter alia, by the fact that the nuclear material was procured from government-controlled facilities by persons defeating the still existing security arrangements.

In some cases, investigations targeting criminal organizations in the countries of origin have been instituted on the basis of statements made by defendants, but no final results are available to date.

PROGNOSIS

Without noticeable improvements in the overall situation in Eastern Europe it is to be expected that offenders active in this field will further attempt to obtain money or foreign exchange by all means available. At the present time, there is nothing to suggest a decline in the importation of radioactive substances.

In the medium term, the lesson that there is no market may induce the offender side to avoid Germany as a country of destination, but it might also lead in an increased incidence of other forms of crime, e.g. extortion. In the extortion cases investigated so far, the threats did not turn out to be serious or practicable.

The possibility that there could be a displacement effect is reflected in the statement of a suspect arrested in Helsinki in connection with the seizure of a quantity of californium-252. He intimated that delivery of the material in Germany was to be avoided because he had learnt of several past arrests made on the occasion of similar transactions.

The fact that in our experience there is no demand in Germany may also lead to offenders wanting to get rid of the material and creating a danger for the general

public. One such example is the case in which a radioactive substance was disposed of in a refrigerator. Such forms of improper storage of nuclear material cannot be ruled out.

There is reason to assume that other substances not encountered so far will in future be offered and/or seized, as has already been the case with the neutron emitter californium-252.

A further disintegration of public-security structures in the CIS or East European countries may be accompanied by a deteriorating situation if the now existing nuclear weapons are dismantled under disarmament agreements. This will multiply the quantity of radioactive material that is available in the field of peaceful utilization now already. So far, offers of weapons-grade material have turned out to be merely fraudulent. If this will remain so is unclear at the present time.

Currently there are no signs of relaxation in this field of criminal activity.

III. DRUGS CRIME

HEROIN

Cultivation/Production

The "Golden Crescent" (Pakistan, Afghanistan and Iran) is the region with the world's largest production of opium. Due to the current political developments, the Central Asian republics of Uzbekistan, Turkmenistan and Tajikistan will become increasingly important as a production area. This area has a suitable climate for growing opium poppies.

According to the sources of information available, an opium yield of up to 5,500 t. must be estimated to have come from the Golden Crescent area in 1992. In addition, also in 1992, some 1,500 t. of opium were produced in the CIS republics Uzbekistan, Turkmenistan and Tajikistan.

In the Commonwealth of Independent States, for example in the Ukraine, poppies have been grown for centuries, as they are needed to produce poppy seeds. The Ukraine is also an important supplier of poppy straw for the pharmaceutical production of morphine, codeine and other opiates in the CIS. Suspicions that opium poppies were being cultivated in the Chernobyl area have not been confirmed to date.

Most of the opium harvested in Afghanistan is taken to Pakistan for the production of heroin. Due to the war situation in Afghanistan, heroin laboratories have been moved from the Pakistani/Afghan border area to the north of Afghanistan. One reason for this is assumed to be the political changes in the former Soviet Union. According to information received, the drugs are believed to reach Central Europe via the Central Asian republics, other CIS countries and Poland. It is very difficult to carry out effective controls along this smuggling route.

In the future, the Central Asian republics will not only play an important role as transit countries, but as a production area, as well. This development is favored by the fact that acetic anhydride is easily available there, as the local textile industry uses large quantities of the chemical and it is produced in the country. There are also reports that laboratories in Afghanistan and the tribal areas are supplied with acetic anhydride from the Central Asian republics.

Smuggling

The drugs produced in the opium-growing and heroin-producing countries are taken to the consumer regions of the world by all imaginable means of transport and methods. In addition to small-scale dealers and people covering their own consumption needs, internationally organized drugs smuggling is of considerable significance.

Balkan Route

For some years now, the Balkan Route has been the main transport route for heroin from the Near East to Europe. In the past, the classic Balkan Route led from Turkey through Bulgaria, the former Yugoslavia and Austria to Germany. Due to the war in the former Yugoslavia, the opening of Eastern Europe and traffic restrictions on trucks in Austria, the former Czechoslovakia and Hungary, the north-east route has established itself for drugs transports to Germany and/or Western Europe.

It must also be expected that, in the future, the smuggling route will be moved further north through the Ukraine and Poland to Germany. According to information gathered by the customs authorities, the legal goods traffic over the Polish-German border by TIR trucks has increased, and it may be expected that this increase in legal goods traffic will result in the smuggling route being shifted.

Central Asian Route

Since the collapse of the former Soviet Union and in the course of economic liberalization, drugs from the "Golden Crescent" area are being transported to Europe

more and more through CIS states. The Central Asian republics are intensively seeking contact to their neighbors with a view to establishing economic relations. Uzbekistan and its capital, Tashkent, play a leading role in this.

To maintain and expand the wide-ranging trade relations and transit agreements, there are now daily flights by PIA and Uzbekistan Airways from Pakistan to Tashkent. Nevertheless, the flights are booked out weeks in advance. Travel agencies have specialized in organizing journeys to Uzbekistan for Pakistanis (obtaining visas, booking flights and hotels). Up to 300 visas, which are still required and are valid for the whole of the CIS, are issued every week by the Russian Consulate General in Karachi alone. While the flights to Tashkent are booked out, the return flights to Islamabad and Karachi are mostly empty.

In addition to the air connections, there are also overland routes by which borders can be crossed without customs controls or other clearances.

COCAINE

The cocaine exported from the Latin American countries also reaches the consumer countries by all imaginable means of transport and methods. The Eastern European countries are gaining in significance. The proof of this can be seen, for example, in the seizure of some 1,092 kg of cocaine and the arrest of 7 persons near St. Petersburg, Russia, on 21 February 1993. The cocaine, which was destined for the Western European market, was to be forwarded to Antwerp. In St. Petersburg, the container was to have been given a "new identity" to conceal its Colombian origin.

The drugs smuggling has been carried out by a dealer organization consisting of Israelis and exiled Russian nationals. They had procured the cocaine in question direct from the Cali cartel in Colombia and may be regarded as having been responsible for smuggling tons of cocaine from South America to Europe over the last few years. This drugs-trafficking organization had bases in Amsterdam, Antwerp, Moscow, St. Petersburg, Tel Aviv and Colombia.

This drugs seizure, the largest in Russia to date, confirms the trend already seen in the analyses of Eastern European organized crime, namely that more and more criminals from Western countries are using the instable situation in the countries of the former Soviet Union, as it suits their purpose. It has been established that particularly persons exiled from the former USSR use their linguistic advantage, their old connections and especially the knowledge of commercial procedures they have gained in the West, coupled with the possibility of paying in foreign currency, to make considerable profits by illegal means. By using "joint venture firms," in particular, all kinds of goods are imported from or exported to the countries of the former Soviet Union. As a rule, the authorities have virtually no possibility of carrying out effective controls. A special problem in this connection is the corruption, in that criminals often bribe decision-makers and controllers with foreign currency.

There were other large seizures of cocaine in Eastern Europe, such as 100 kg in Hradec Kralove in the former Czechoslovakia on 30 September 1991 and 109 kg in Gdynia, Poland, on 1 October 1991. In each case, the cocaine was concealed in containers on their way from Colombia via the seaport of Gdynia, Poland, to Western Europe.

In addition, the General Secretariat of ICPO-Interpol is in possession of information, according to which drugs dealers are increasingly using Moscow Airport as a transit point for drugs deliveries to Western Europe. In 1991, a total of 10 kg 929 g was seized in 4 cases at Moscow's Sheremetievo Airport. The drugs were destined for Western Europe. In another three cases, a total of 2 kg 050 g of cocaine was seized at European airports, having been smuggled to Europe in transit via Moscow.

These seizures show the growing significance of the Eastern European states as transit countries, not only for heroin from Turkey and the Golden Crescent, but also for cocaine deliveries from the South American cartels to Western Europe. The internationally organized drugs traffickers are therefore taking advantage of the political changes in Eastern Europe, which are accompanied by internal liberalization processes and fundamental economic restructuring, in order to transport drugs to Western Europe, partly circumventing the former transport routes and transit countries.

At the same time as these Eastern European states are increasingly being used as transit countries for drugs deliveries to Western Europe, the consumption of all kinds of drugs in these countries has risen considerably.

CANNABIS

In various republics of the CIS, there exist wide areas with cannabis plants growing wild, according to a report by the UNDCP Commission. In the Chuskaya Valley

in Kazakhstan, for instance, an area of about 140,000 hectares (the equivalent of approx. 345,000 acres) was detected where wild cannabis plants are growing for local consumption and exportation to other countries. Local estimates are that Kazakhstan can produce about 5,000 tons of marijuana with a very high THC content. Police display a high level of enforcement activity in the Chuskaya Valley, but given the prevailing situation that effort yields little result. Hashish from Kazakhstan ("kaif") has been found only in small quantities in Germany to day.

According to the authorities, there is wild-growing hemp on over 60,000 hectares (the equivalent of approx. 150,000 acres) of land in Kyrgyzstan, especially around Bishkek in the Chuskaya Valley and in the surroundings of Lake Issyk-Kul. Russia is supposed to have a cannabis growing area of more than 2.5 million acres. The problem of every increasing hemp cultivation is also present in Belarus, in the Ukraine (especially in the Chernobyl region), and in Tajikistan.

Uzbekistan has more than 3,000 poppy and cannabis fields, mainly in the Samarkand region, in mountain areas where access is difficult. Costly equipment for detection and destruction (e.g., helicopters) is not available.

The opening of the borders of these republics to those countries in which smuggling and trafficking have been rampant for years—for instance Afghanistan, Pakistan, and Turkey—gives rise to the fear that the drug situation will deteriorate further.

As far as the smuggling of hashish from Pakistan and Afghanistan is concerned, the dominating transport method is by container with the contraband being concealed often by the ton in legal cargo. This "cover" cargo usually consists of cheap products, mainly textile goods. Specially prepared containers are shipped predominantly via the ports of Karachi, Pakistan, and Bombay, India, but the land route through CIS countries is also chosen.

Smuggling through the republics in Central Asia, chiefly Uzbekistan, is growing rapidly. The dominating transport methods are by land and by air, using existing legal commercial links. Drugs destined for Scandinavia are taken first to the Baltic port cities of St. Petersburg, Russia, and Riga, Latvia, and are then transported by vessel from there.

Russia has already adopted an important role as a transit country. About 45% of the drugs seized there comes from other CIS countries. The preferred point of transit is Moscow airport with its regular departures for all parts of the world.

The importance of the Ukraine and of the Baltic republics of Estonia, Latvia, and Lithuania, too, is growing with regard to smuggling transports to Western Europe.

AMPHETAMINE

In addition to the Netherlands, Poland has meanwhile come to play an outstanding role in the supply of amphetamine to the European market. Up to 1976, amphetamine and its derivatives were legally produced in Poland. Since then, production has continued illegally, and part of it has been carried on, for a few years now, with the involvement of experienced, well-trained chemists with access to professional laboratory facilities.

The importance of the countries having emerged from the former Czechoslovakia, too, is ever-increasing as far as the production of synthetic drugs, and in particular methamphetamine (pervitin), is concerned.

An investigation, in the course of which the largest single amount of synthetic drugs ever seized worldwide (3,097.5 kg of MDA [methylenedioxymethamphetamine]) was taken out of the market on Dec. 9, 1992, has provided an indication of the potential for the illegal production of amphetamine and derivatives thereof that has developed in Central and Eastern Europe. Know-how and technology from the former Czechoslovakia and from the Republic of Latvia had been combined for the purpose of producing MDA in a Riga-based Latvian pharmaceutical factory on a large scale.

In 1992, drugs were produced in Hungary as well. In one case, 54 kg of MDE was seized and proof was found of the production of another 400 kg of the substance.

Large amounts of amphetamine and fenetylline are also produced in Bulgaria. No details are known to German authorities, however.

The wholesale trafficking in amphetamine in Europe is organized by groups based in the countries of production, meaning that Dutch and Polish citizens are the dominating factor. To a certain extent, citizens of the consumer countries are also part of the organizational structures. For instance, law-enforcement authorities have identified a rigidly organized and hierarchically structured German-Polish-Scandinavian group of offenders.

IV. OTHER FIELDS OF CRIME

PROTECTION RACKETEERING

In recent months, the BKA has learnt from various sources that, in Russia, German and other foreign business-people are being approached and extorted in an increasing number of cases by groups of Russian criminals. Some of these reports have been received in the form of complaints filed with the police, but most of the information has come from the press and from enquiries made by company representatives to the German Embassy in Moscow, the BKA liaison officer in Moscow or direct to the BKA. The companies are seeking help or want to know how to react, if their employees should fall victim to extortion in Moscow.

- In September 1993, the Moscow branch of a German electrical power company was visited by several persons, who demanded monthly payments to prevent "possible repercussions" against the firm. The firm did not pay, but instead hired the services of a security firm, which is run by a former KGB man. Since then, no further attempts at extortion have been made. It is not possible to tell whether this "security firm" is working together with the organized criminals in Moscow or whether it is a front for such a gang.
- In mid-January 1994, the representative of a German steel company received a visit in his Moscow office from two Russians. They explained to him that they had a contract to murder him. If he paid them 10,000 U.S. dollars, they would not carry the contract out. The extortionists granted him some time to think it over, which the victim used to flee to Germany with his family. Since then, telephone calls have been received at both the victim's office in Moscow and on his private number in Germany asking for his decision. It is not known whether he has met their demands.
- In mid-March 1994, a German businessman was attacked by unidentified persons in St. Petersburg. He was beaten and seriously injured. Shortly beforehand, the victim had received a visit in his office from dubious characters, whom he sent away. The attack points to the preparation of protection-money extortion.
- In mid-March 1994, the representative of a German bank in Moscow was visited by two Russians. They offered him protection for his person and premises. A short time later, he was visited by five Russians, also offering protection, but they were sent away. So far, no concrete offences have been committed.

In view of the known cases and other information gathered, it must be assumed that a considerable number of Western companies are currently paying protection money in Russia or are being approached for this reason by Russian criminal groups.

Another main point is the extortion of Russian and Eastern European business-people in Western Europe by Russian criminal groups. The following two preferred methods have become apparent:

- On the one hand, protection money is demanded from Russian business-people, mostly exiled Russians who have achieved prosperity and often have a criminal past themselves.
- Moreover, a number of cases have come to notice in which business-people have had to pay a lump sum to settle alleged debts or as payment for unfulfilled conditions of contract. The extortionists act mainly on behalf of another firm. According to business-people, it is not unusual for Russian businesses to have outstanding debts collected by criminal gangs, instead of taking the tiresome way through lawyers and courts. The debt-collectors are paid about 10% to 20% of the outstanding amount.

In Germany, there have been several recorded cases of extortion, often involving the kidnapping of the victim or a family member. Regular payments of protection money to Russian criminal organizations have not come to notice in Germany so far.

COUNTERFEIT MONEY

Since the disappearance of the Iron Curtain, internationally organized counterfeit money crime has developed in the Eastern European states and the former Soviet Union, at first unnoticed, and then with extreme intensity. The main causing factors were the weakness and, in part, the inexchangeability of the currencies of these countries, coupled with the fact that certain commodities are only available if paid for in foreign currency. In countries with a weak currency, a substitute currency often arises, which influences payment transactions. For the countries of the former East Bloc, the substitute currencies are the deutschmark (DM) and the U.S. dollar. The DM plays an important role, because Germany either has borders to these countries or is easy to reach through a third country. The popularity of the U.S.

dollar can be attributed to the fact that it is accepted worldwide as a means of payment. About 25% of the counterfeit German money seized in 1993 has been produced by organized criminal groups in Poland. The counterfeit money was distributed by couriers, who had previously come to notice mainly in the field of motor-vehicle crime with Eastern European connections. We can see from the international criminal police reports that large numbers of counterfeit DM notes appear in Poland as well as in other Eastern European countries, notably Belarus, the Ukraine and Russia.

The Bundeskriminalamt is currently working in close cooperation with the Organized Crime Division of the Polish police to investigate a criminal organization producing counterfeit U.S. dollar, DM and rouble banknotes in a highly professional manner. One of the members of this group was the subject of investigations of the appropriate U.S. authorities in connection with 2 kg of cocaine. This case shows that Eastern European organized criminals are operating in several fields of crime, restricting their activities to Europe.

ILLEGAL ARMS DEALING

The boom in demand from the war zone in the former Yugoslavia is still an influencing factor in the international, illegal arms traffic, but now in a weaker form. There continue to be offers of supplies from the countries of the former Warsaw Pact. A large number of reports have been received, mostly about unsuccessful attempts to set up deals, some concerning large-scale supplies of arms. German nationals and/or firms with business relations in the former East Block are receiving more and more offers for a wide range of war weapons and other arms. Such offers reportedly even comprise long-guns and handguns with silencers that were developed as completely new models for special units of the Russian forces and also modern fighter aircraft and tanks. Such deals often fall through, because the potential buyers in the West do not have the necessary financial means. As a result of disarmament and the opening of the Eastern European borders, a whole range of weaponry is becoming available, especially in the Eastern European countries, which then disappears through secret channels on account of the absence or inadequacy of control mechanisms.

INTERNATIONAL TRAFFICKING IN STOLEN MOTOR VEHICLES

The number of motor vehicle thefts almost tripled between 1989 and 1993. The proportion of those vehicles which are permanently missing—at present more than 40%—is an indicator of the amount moved to other countries. Since the political opening, Eastern Europe has become a main area for the movement of stolen vehicles, with Poland acting as the central point of the illegal transport routes. From there, the vehicles are taken to the Baltic republics or the Ukraine to Russia, the Caucasus region or Kazakhstan. According to police information, the illegal trafficking in stolen motor vehicles is controlled by organized groups of offenders, due to the apparently small risk of being caught and the high profits to be expected. These groups are often of a single ethnic origin and operate in other fields of crime with expected high profits and display a marked tendency towards violence. Particularly in northern Germany, where up to now German-Polish groups have dominated, Bulgarian and Russian criminals are increasingly being found. They control the sales routes far into the Russian area.

V. SUPPRESSION MEASURES

The suppression of crime is and remains a task for the whole of society. In times of disappearing borders, however, "the whole of society" cannot mean only the society of an individual country. Just as the organized criminals have been doing for a long time, we must think and act in pan-European dimensions, even global ones.

The foundation of international police cooperation—including that between East and West—is the International Criminal Police Organization—Interpol. With the exception of Georgia, Moldova and a few Asian republics of the CIS, all of the former East Bloc states are now members of Interpol. With regard to the threat posed by Eastern European organized crime, it must become our common objective within Interpol to exchange the intelligence, hard information and experience of the National Central Bureaux to a far greater extent than we have done previously. The knowledge that any individual partner has gathered must be shared constantly and comprehensively with the other members.

At Interpol level, for example, the subject of "illegal trafficking in radioactive substances" has recently been taken up. A sub-group started working the fall of last

year. Their main aims are to improve the exchange and analysis of information and intensify cross-border cooperation.

In addition to cooperation within Interpol, it is necessary in Europe to have closer cooperation between the national prosecution authorities. For Europe has long been a single geographical area in terms of crime. Any security deficits that have arisen or may arise in the future must be rectified through intensive, international cooperation. "Domestic security" is therefore an expression which refers to the whole of Europe. It is therefore necessary to have responsibility for the domestic security of the whole of Europe, which must manifest itself, among other things, in the creation of supranational law enforcement institutions with powers in all member countries. The Schengen Agreement and Europol are the first steps in the right direction towards these goals. They provide the beginnings of a cross-border response to the challenge of international crime. In the long term, the countries of Eastern Europe must be suitably incorporated in this partnership for security and cooperation.

In Germany, efforts are currently being made to promote and intensify cooperation with the Eastern European states through the creation of an "East-West security council." This security council is to coordinate cross-border cooperation and ensure effective police working relations.

Some years ago already, we approached the former East Bloc countries to seek cooperation and to offer them our help. We support them with advice, material assistance and training measures, to enable them to be effective in their efforts to combat growing crime. We promote the exchange of information and experience and have already sent liaison officers to some of these countries (Russia, Poland, Czech Republic, Hungary, Bulgaria).

Governmental treaties exist with Poland, the Slovak Republic and the Czech Republic concerning cooperation in the suppression of organized crime. Such a treaty has already been signed with Bulgaria and discussions with Roumania, the Russian Federation, White Russia and the Baltic States are forthcoming. A similar treaty had been signed with the former U.S.S.R.; for legal reasons, it is doubtful whether it will remain in force.

In cases of serious and organized crime, these agreements provide for closer police cooperation than is possible in Interpol. The central offices are responsible for handling the cooperation. In contrast to Interpol cooperation, the subject of this police cooperation can be any measures permitted to the police under national law (in particular, police interrogations and other investigative action, as long as they do not include coercive action). In that respect, these forms of cooperation exceed what is allowed in relation to Western countries (there are no such treaties with western countries).

The Federal Government of Germany refuses to sign bilateral extradition or legal assistance treaties with the Eastern European states. Our objective is much rather to incorporate these states in existing European conventions (European Convention on Extradition, European Convention on Mutual Assistance in Criminal Matters). A precondition for this, however, is the approval of the EU countries.

The Federal Government of Germany intends to sign a treaty with Poland the Czech Republic concerning cooperation between the police and the border guard authorities in the border areas, in order to enable local authorities on both sides of the border to work together directly on matters relating to the border area, without going through official channels via the National Central Bureaux. Matters of a basic nature or having significance beyond the border area must still be handled by the National Central Bureaux; there are also certain obligations to keep them informed.

Police cooperation with some Eastern European states suffers from the fact that the central bureaux there are not yet firmly established and are often not recognized by the police services in their own country; in some cases, they even work against the central bureaux. In addition, the central bureaux often have a high turnover of personnel. Also, in some places there are still doubts as to the honesty and attitude towards law and order of the staff (supporters of the old regime, organized crime connections). These uncertainties prevent the agreements from being implemented exhaustively and hinder the establishment of extensive police cooperation.

In March 1993, the Germans and the Russians signed a protocol laying down rules for special questions on cooperation. In particular, it was decided to set up an encrypted communication system, to which the FBI in Washington and the Direzione Investigativa Antimafia in Rome are now linked or will be in the foreseeable future. This will facilitate the secure exchange of information between the offices in Moscow, Washington, Rome and Wiesbaden, independently of each other.

To improve police cooperation in the field of the suppression of organized crime, a German-Russian working group has been set up, which meets on a case-to-case

basis. Also involved in their work, as need be, are the German-American working group (BKA/FBI) and the German-Italian working group (BKA/DIA).

PREPARED STATEMENT OF GEN. MIKHAIL K. YEGOROV

(TRANSLATION FROM RUSSIAN)

Distinguished Ladies and Gentlemen:

It is a great honor for me to speak in such a distinguished place and in front of the distinguished persons elected by the people of your country. I would like personally and on behalf of the MVD to express our appreciation for this opportunity to give my opinion on the indicated issues. Our gratitude is addressed to the Chairman of the Senate Subcommittee, Sam Nunn, other members and the FBI Director, Louis Freeh. We appreciate very much the kind attitude and joint fruitful work for the good of both Germany and Russia and the role of the Head of the BKA, Mr. Zachert.

In my statement I will try to answer your preliminary questions. If my responses are not full enough, you are welcome to ask additional questions. There is no problem for me to answer any question related to my service and profession.

The rise of criminal associations in the former USSR was furthered by the state managed command system of government and the resulting shadow economy. The numerous attempts in the 60's and 70's to change economic laws through determined pressure stimulated the increase in underground market activity and the build up of considerable criminal potential. Illegal industrial and commercial structures came into existence, large-scale embezzlement in the state and public sectors of the economy became widespread, and the corruption of officials became a daily occurrence. A new social stratum emerged, made up of people with large amounts of illegal capital at their disposal. At the same time, tens of thousands of criminal leaders with a definite hierarchy of criminal rank were being trained behind prison walls.

A further mechanism in the development of organized crime in the 80's was characterized by the clash of interests between those who dealt in the shadow economy and the representatives of the traditional criminal environment, with a fierce struggle for spheres of influence. In the end their common interests led to "cooperation" between the opposing sides on a mutually beneficial basis.

One can note that there was a large increase in the amount of capital obtained through criminal means during "the years of stagnation," and also under the new condition, through banking manipulation, embezzlement, racketeering, theft, and the sale of weapons or narcotics. "Dirty" money legalized in the economic sphere brought profits to criminals groups and served to expand and develop the criminal sphere. According to operational data, 785 organized crime groups were operating in Russia in 1990. At the beginning of 1994, 5691 groups had come to light. Leading these groups are almost three thousand criminal leaders, among them 279 "crime bosses." According to operational data, 926 groups are united in 155 criminal associations with an average membership of 70-300 persons. The number of active participants in criminal groups has reached 100,000 people. However, in Russia there is not any joint center to supervise the operations of organized criminal groups. There are many contradictions between the groups and their leaders.

At the present time, organized crime is a real threat to the stability of the country's economic and social life. The criminal groups operating in Russia, which have different degrees of organization, are consolidating, both in the individual territories and regions, and at the international level. The criminal activities of one sixth of the groups in Russia are of an interregional nature, and more than 300 groups carry out criminal activities outside Russia, either in cooperation with partners from neighboring or far-away countries, or independently. About 100 criminal groups are concentrated in far-away countries. We know of more than four thousand individuals who have steady relations with criminal structures in 29 countries of the world. These countries are the USA, Germany, Italy, Poland, Hungary, the Baltic countries, Turkey, China and others.

According to our information, there are 24 groups operating in the U.S. territory. Their interests are concentrated in the areas around the cities of San Francisco and Los Angeles, Miami, Chicago, and New York and are demonstrated in such activities as money laundering, illegal money transactions, large frauds, control of gambling and prostitution, and drug business. Americans already have become their victims, and a number of swindles committed in Russia had been planned by émigrés from the former Soviet Union on American soil. Specifically we identified 14 groups in the Moscow region having contacts in the United States and enveloping crime business there. These are mainly the "Domodedov," "Chekhov," "Shchelkovo," "Podolsk"

and other groups. All of them, as a rule, commit daring violent crimes for profit and financial frauds as part of their activity. In St. Petersburg, an investigation is being conducted against Alimov's criminal gang which, using its contacts in the United States, embezzled 519 million rubles. Another case under investigation there involved the Dobrovsky gang which received by sea some cars that had been stolen in New York and shipped to the Russian Federation by "EDD" Co. Last year we arrested members of a large criminal group which had complete control of the areas near Moscow and enjoyed protection of some officials. Nine automatic weapons and other firearms were seized from them.

To participate in their joint crime business, a group of people headed by David Shuster came over from the United States. A long prison term is awaiting him.

The criminal activities of a certain Desyatov, who officially manages the "Artan" Joint Stock Company in the Chelyabinsk region, but in fact is an interregional crime boss, were exposed in joint actions with the FBI. Last September, he arrived in Miami on a tourist visa with \$400,000 in cash. In the United States he also became the head of a criminal gang but, thanks to an exchange of information between the MVD and the FBI, was arrested while committing an act of extortion under the threat of armed violence because he was within the field of police attention. In Russia he is accused of fraud in the amount of one billion rubles. Such examples can be cited on and on.

The countries of Europe experience a strong impact of Russian organized crimes. According to our information, there are 47 groups operating in the territory of Germany. Most of them come from the Moscow region (19), but there are also some groups from the Urals, Western Siberia and the Volga region. They are involved in thefts, including cars, extortions, robberies, and economic crimes. They are organizing prostitution. Their crime bosses select Germany and its neighboring countries as places to live, to invest money in enterprises and banks. Thus, an organized criminal gang operating in the Rostov region was exposed and eliminated. It stole and exported illegally to the West 20 tons of rebar steel in the amount of 1.5 billion rubles. Firearms, ammunition and documents showing large bank deposits in Germany, Finland and Egypt were seized from the accused. In Kemerovo, Ponomarev's criminal gang committed fraud and stole 400 million rubles. The money was converted into foreign currency and deposited in a Dresden bank "Internationaler Handel financier Nikolai Postdeld." Similar thefts were committed by Semyenov's gang in Krasnodar. It stole US\$ 750,000 and transferred it to a clearing account in a Hamburg bank. Semyenov himself escaped from Russia.

Six identified criminal gangs are interested in Italy. One of them is the "Ingush" gang operating in Moscow, four of them operate in the Urals, and one gang operates in the Central Chernozem belt. Their areas of specialty also include violent crimes for profit (theft, robbery, extortion) and economic crimes.

Most violent crimes committed by Russian groups abroad use the "shuttle" method, that is, after committing a crime, the perpetrators hide in another country. The given examples and mentioned countries serve to properly evaluate the situation.

One hundred-one Russian organized crime groups operate on the territory of 27 countries and I do not exclude the possibility that they can inflict damage to any country by their activities from outside Russia.

Here in Russia the crime situation continues to be very complicated and is marked by the growth of grave violent crimes for profit. In 1993 there were 2.8 million recorded crimes. The number of premeditated murders went up and reached 29,000. The number of major and large-scale thefts and bribery cases went up.

There is no question that this kind of criminal background cannot but have an effect on the reforms being carried out and the mood of the people, which is connected with the growth of professional and organized crime.

In spite of the many-sided manifestations of organized crime in Russia during last year, the main tendencies in the development of organized crime have become quite clear:

- Continuation of the process of consolidating criminal groups into individual territorial formations, as well as establishment of steady connections on regional and international levels. Dividing the country's territory and branches of criminal trade into spheres of influence;

- Further strengthening of the positions of criminal leaders. Stepping up development of coordinated actions. Increasing the influence of criminal associations that were formed on an ethnic basis;

- Drastic rise in the degree to which the groups are armed. Turning the selling of weapons into a profitable trade. Increase in the technological equipment, mobility, daring and brutality of criminal groups;

- They use methods of criminal terror, even contract killings and kidnapping, as ways of exerting pressure on representatives of the executive and judicial

branches, directors of financial structures, bankers, entrepreneurs and competitors;

—Creation by criminal organizations of their own business structures, and using them for committing thefts, laundering criminally obtained funds, transferring hard currency to banks abroad, purchasing real estate in the USA, among other places;

—Use by criminals of large amounts of money with which they bribe government officials in order to create a corrupt layer in the government apparatus to keep themselves free of any type of societal controls.

The above statements can be confirmed by a list of facts.

Last year, 183 police officers died while on duty, and 572 were injured. In the first four months of this year, 48 were killed and 120 injured. Every third group has firearms, including automatic weapons. Last year, there were 281 armed confrontations between organized criminal gangs, in which more than 11,500 gang members took part. Five hundred thirty four people were killed or injured.

Considerably complicating the course of investigations are the activities of more than 380 ethnic criminal formations. Of these, the Chechen, Azerbaijani, Armenian and Georgian groups are the most dangerous. Chinese, Vietnamese and Gypsy criminal structures are being formed.

Organized crime is actively participating in the country's economy. The criminal organizations were able to legalize "dirty" capital by investing it in business structures, and involving a large number of entrepreneurs in illegal businesses. According to our information, 3270 organized criminal gangs specialize in committing large-scale embezzlements, financial and property schemes, illegally receiving income and laundering money obtained through criminal means.

In 1993, the Ministry of Internal Affairs uncovered about 9,500 crimes. Also exceeded is the illegal export and import out of and into Russia of valuables totaling 100 billion rubles. This trend persists during the current year.

Criminals use opportunities available to joint enterprises, the founders of which frequently have unreliable companies or individuals as foreign partners. Among them, there are many who try to generate capital not only through various types of swindles, but also by legalizing money that was obtained illegally through drug trafficking, smuggling and other prohibited activities.

Recently convicted in Russia was an American citizen, Vlad Flek, vice president of the firm Zerkalo Enterprise, Incorporated, who for a long time and by the use of fictitious documents, was engaged in our country with money embezzlement belonging to various Russian government and commercial businesses. In the course of conducting the investigation it was established that in 1988 in the State of California criminal proceedings were brought against him for larceny, buying stolen property, and keeping firearms, but he escaped from justice. During Flek's detention and search, false and stolen passports from U.S. citizen Matkhema, narcotics, a pistol with silencer and diverse combat explosive devices were discovered.

The manager of another joint venture—"Norvit," sold fictitious foreign currency checks of Costa Rica worth 2 million dollars USA to the commercial bank "Nike." The receipts as a result of the given transaction was 840 million rubles. He exchanged these for \$1,300,000 and transferred them to the "Apkeo" firm's account in "Folksbank."

Corruption continues to remain an extraordinarily dangerous phenomenon for Russia's development. It facilitates reinforcing organized criminal groups and associations, expanding their sphere of influence, and establishing intra-regional and international connections by them. Almost every seventh criminal group at present uses bribed officials in authority and government. Organized crime uses for these goals 30% of criminally earned income.

The more profitable spheres of criminal activity in the country's economy today appear to be:

—The legalization of criminal capital by means of creating a commercial structure. Thirty percent of the exposed organized criminal groups specialize in this area. They carried out large scale monetary embezzlement in the banking system by means of using fictitious money orders and accounts of false legal persons. Fictitious deals with unconscientious foreign partners were widely practiced with any delivery of imported food products and consumer goods in exchange for strategic raw material exports, while appropriating part of the bartered goods' cost. The abuses acquired a massive character during the implementation of land reform and privatization. The criminal associations via fictitious investment funds stole privatization checks and monetary items from the citizens.

—Smuggling and removal of raw material abroad. Organized crime was specializing in embezzlements and buying up at understated prices precious stones,

rare and non-ferrous metals, oil and its by-products. Industrial and food products, as well as expensive sorts of fish and fur are marketed abroad at dumping prices.

Criminals (in Russia) have foreign accomplices and use forged licenses and declarations to export goods. Recent assessment by Russian experts have determined that over \$20 billion have been obtained from the export of raw materials, \$4 billion of this is cash.

Violent crime, extortion and robbery are being committed against businessmen in Russia. Well-organized criminal groups exist. In a year's time, 180 crimes have been committed against U.S. citizens: 60 per cent is larceny, 17 per cent is robbery, 11 per cent is hijackings of automobiles. Resolution rate of such crimes is 30%. Hotels and apartments are the most common places for crime to occur (36%), streets (33%), and vehicles (7%). Foreign currency (36%), documents (18%), clothes (17%), audio and video equipment (15%), and cars (13%) are the main objectives for criminals.

During the first three months of this year, there were committed 52 crimes against U.S. citizens in Moscow and St. Petersburg. The most dangerous of them are resolved and the criminals are arrested.

Russian and FBI officers worked jointly on a case to obtain the release of hostages (Mr. Thomas Cha, U.S. citizen, President of Alaska Antler Production Co., and his interpreter Shuharevsky) who were kidnapped in Moscow under the threat of weapons. Sixteen members of the Dagostan criminal group were apprehended for trying to extort 400,000 dollars from their hostages. We seized their firearms, ammunition and the things stolen from the hostages.

In Krasnoyarsk, in the "Avtomobilist" dispensary, criminals threatened the U.S. citizens living there with firearms, and beat them up, seized \$190,000, 470,000 rubles, took two cars, and hid. In carrying out our investigation, fifteen persons were apprehended and convicted, and the stolen property confiscated.

In St. Petersburg, the body of a U.S. businessman Larry Johnson was found in his own apartment. As a result of an investigation, a local citizen, a homosexual, was arrested. During the search of his place, items and documents belonging to the dead man were confiscated.

Criminal groups have practically fully monopolized the highly profitable narco-business, creating an actual "industry" of manufacturing and distribution of drugs. In expert estimates the illegal profit from drugs was 170-200 billion rubles a year. On the territory of Russia there are transit routes for narcotics to Western Europe, to Scandinavia, and to America; also for opium and hashish from Afghanistan, Tajikistan, Uzbekistan, and Kazakhstan; for cocaine from Columbia, for bupremorphine from India, for poppy plants from Ukraine.

In the light of the activation of the narco-traffic in the Russian-American direction, in which a significant role is played by emigrants from Russia and other republics of the former USSR, the successfully developing operational cooperation with the American DEA has a special significance. Thanks to the joint efforts in 1993, the criminal organization of Magomed Vokov was uncovered; it was involved in the narco-business in the U.S. as well, and it had close contacts with the "Chechen" association in Russia. Some of the criminals were arrested trying to smuggle 800 kilos of cocaine to the USA. The structure of the organization encompassed New York, Los Angeles, and Florida. To launder the money, Vokov used a network of jewelry stores in California, which also had connections with the "Russ Gold International" company in Moscow.

At present, together with the American colleagues, work is taking place on nine operational investigations, constant contact is being maintained, and operative information is being exchanged. The available data on Russia allow a conclusion about the expansion of the cocaine market in our country.

At present we have the information about the international group of producers of narcotics, who are spreading cocaine in Russia (1 gram costs \$300.00). This narcotic comes into the country by various ways from Western Europe and the U.S. (State of Florida). Investigation is going on.

Criminal groups are more and more interested lately in nuclear energy facilities in Russia. This situation is created by the mass media, creating a myth about the big demands for radioactive products and the high prices.

The existing system of accounting and the safety of special products, in the defense facilities in Russia, practically eliminates the possibility of stealing of "weapon" uranium and plutonium, even in small quantities. In spite of that, Internal Affair's employees, during the last one and a half years, started 47 criminal cases connected with radioactive materials, 20 out of those for possession, and 27 for stealing of such material.

The analyses show that stealing of the radioactive materials concern the uranium-238, enriched with uranium-235, which is used in non-military technological proc-

esses. Their physical characteristics are not suitable for military use. According to the assessments of the specialists for the conversion of these raw materials for the purposes of producing nuclear weapons, a complete network of enterprises are needed, which are under control of nuclear powers.

Acknowledging its responsibility for non-proliferation of nuclear weapons, Russian law enforcement organs take the active measures to safeguard the facilities for the keeping and usage of radioactive materials.

Organized crime is interested in such type of criminal activities as gambling and prostitution. There are 145 groups uncovered controlling prostitution, including export of women abroad. Such facts of "exports" have been registered in the countries of Europe, Southeast Asia, Middle East, and the U.S.

The capabilities of the Russian law enforcement organs to withstand effectively the criminal groups, depend in the high degree on the success of democratic reforms in our country.

We have to remember that this complex decision to fight organized crime on the government level started only with the Russian Federation President's order about the "Protection of Human Rights, Law Enforcement Against the Criminal Activities," of October 8, 1992, and similar decision of the government of the Russian Federation. This document increased the personnel of the MVD subdivision engaging in crime fighting and court personnel by 7,800, and control-revision personnel by 3,500 people.

In the war with the organized crime in Russia, 12 regional units, 87 units in the republics, districts and provinces, administrations and departments, as well as groups in 144 cities are operating in a complex situation. The staff of these subdivisions consists of 14,000 men, ready for instant action, dedicated to suppress armed resistance of the criminals. There is designated technology, equipment and weapons. The people are trained to use aviation and other army equipment in the fighting of crime.

In 1993, their work brought to justice 11,236 members of the organized crime groups, including 1,332 leaders of criminal world, and 19 "thieves in the law." There were 5,749 criminal cases, 11,700 weapons were confiscated, and material goods worth 68.2 billion rubles—US\$ 4.1 million; over 1,100 cars and other unlawfully obtained possessions.

To sum up what has been said about crime in Russia, I could say that if we manage to stabilize the crime rate at the level of the first four months of the last year, the number of crimes will considerably decrease. Organized crime agitates public opinion. Organized crime control in Russia and its international aspect is our duty.

Therefore, the main task is to use international cooperation in the fight with crime to the maximum. Here we see two options:

(1) We cannot dismiss traditional connections with the Republics of the former Soviet Union, the practical absence of borders, and long-established relations between the criminals and criminal groups.

(2) The money invested abroad by the organized criminal groups will be coming back to Russia and reproduce crime.

Therefore, by the decision of the heads of the CIS states, a Bureau of Coordination for fighting organized crime and most dangerous crimes in the territory of the CIS was established. Practically, it has started its functions. It is located in Moscow and is a permanent agency represented by members of police and militia of these states.

For the first time information has been sent to other countries; there is a direct communication with the FBI USA, BKA of Germany, and the police of Italy.

An important direction of the work is establishing a modern effective law enforcement base. The Russian MVD is an initiator of preparation of Federal Laws in "Fighting Organized Crime," and "Fighting Corruption," which comply with the international norms. Now they are being considered in the Russian parliament.

Evaluating the entire complex of the above tasks, we have to state objectively, that the level of fighting the international crime is not sufficient with the worsening situation.

—The lack of agreements of legal assistance with a number of governments, which allows Russian criminals to remain abroad freely and foreign citizens to hide from justice in Russia;

—The interaction and exchange of information between law enforcement agencies of various countries is not sufficient yet, and exchange alone is not the solution of all problems. We are in need of conducting concrete joint investigations aimed at revealing specific organized criminal groups.

Certainly, we shall do all that is required from the MVD of Russia, the FBI and the BKA. At the same time, we need also the support of public opinion and corresponding attention to this problem. I thank the U.S. Senate for its effort.

As you know, criminals are uniting and represent an international threat. However, the governmental measures are not sufficient. More effective work should be done on money laundering. On my part, I should caution you that the country which would allow Russian organized crime groups to launder money will have a lot of problems with organized crime.

Clearly there is a need to review some aspects of drug abuse and proliferation of radioactive materials related to the activities of international organized criminal groups. From the point of view of a law enforcement officer, I think it would be good if such an initiative is originated by such a distinguished institution as the U.S. Senate.

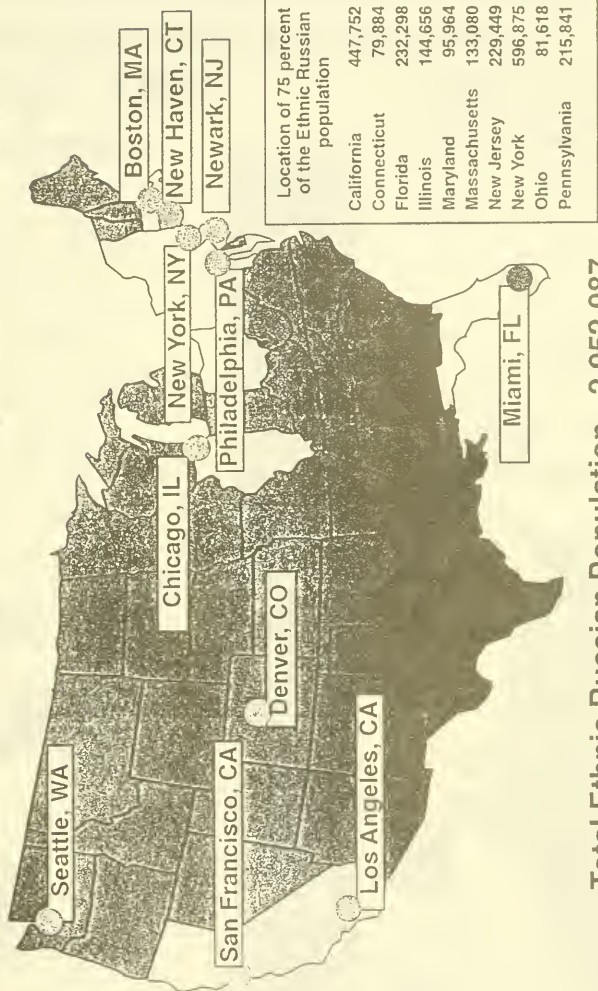
Finally, our meetings with my colleagues Freeh and Zachert prove again and again the need for joint practical efforts aimed at international organized crime control which could be a creation of combined teams including MVD, FBI, and BKA officers to investigate concrete crimes. The history of criminalistic practice as of today cannot suggest anything else.

Naturally, such a step will require additional manpower and financing. I think that the mentioned countries will take it, recognizing the importance of the problem.

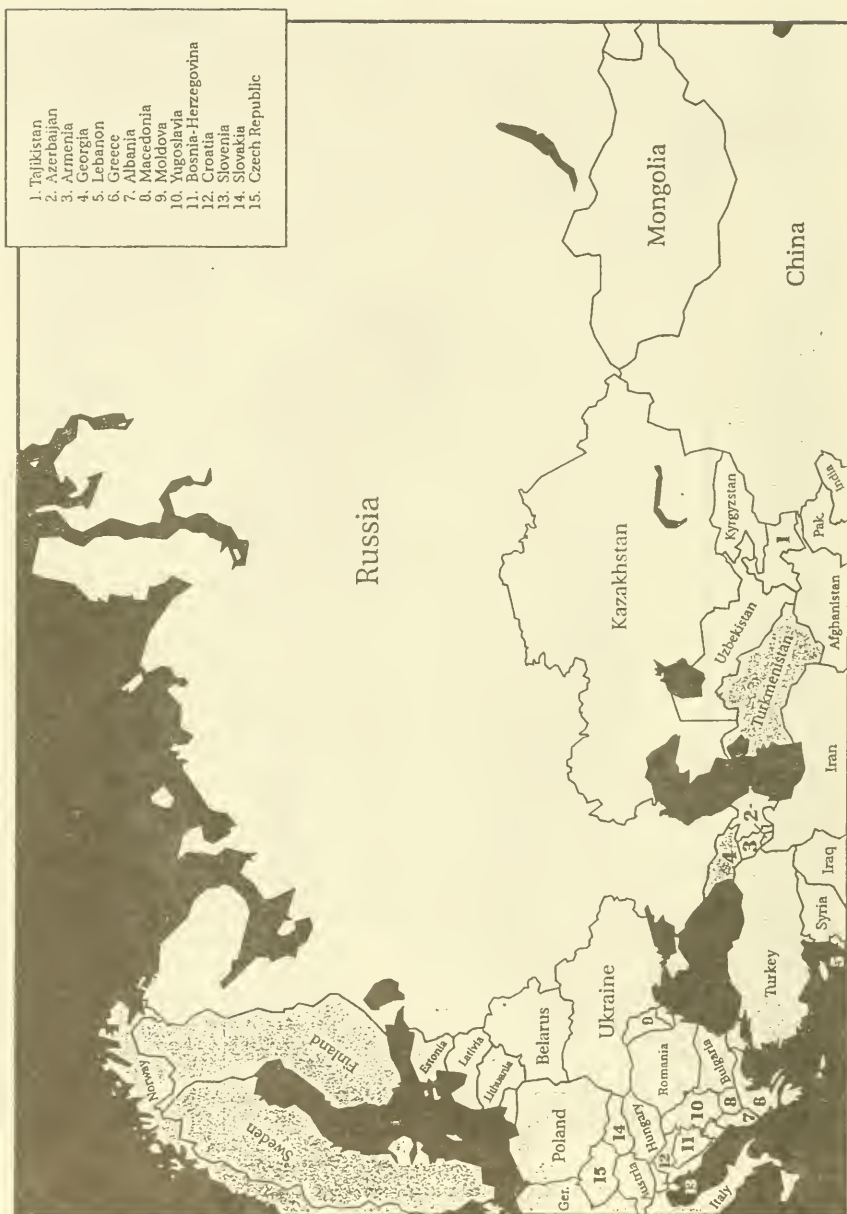
Thank you.



RUSSIAN/EURASIAN ORGANIZED CRIME GROUPS' AND CRIMINAL ENTERPRISES' LOCATIONS BY CITY



Total Ethnic Russian Population - 2,952,987
U.S. Census Bureau - 1990



Typical Materials and Items Offered for Sale in the Black Market in 1992

Aluminum

Antimony

Arsenic

Cadmium

Cesium

Cobalt

Gallium

Hafnium

Hydrogen

Indium

Lawrencium

Mercury

Niobium

Osmium

Platinum

Polonium

Radium

Scandium

Tantalum

Tellurium

Vanadium

Ytterbium

Zirconium

Heavy Water

Atomic Weapon

Nuclear Device

Nuclear Warhead

Triggering Device

Significant Crimes of Eurasian Criminal Enterprises in the United States ...

- Alien Smuggling
- Bank Fraud
- Burglary
- Counterfeiting
- Credit Card Fraud
- Drug Trafficking
- Extortion
- Fencing Stolen Goods
- Fraudulent Documents
- Gas Tax Fraud
- Insurance Fraud
 - a. Auto Accident
 - b. Health
- Illegal Gambling Business
- Infiltration of Business
- Murder
- Prostitution
- "Racketeering"
- Robbery

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